CITY OF HIGHLAND VILLAGE, TEXAS

Annual Comprehensive Financial Report for Fiscal Year Ending September 30, 2025

Cover Photo by Camille Stoeberl

CITY OF
HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025

Prepared by:

The Finance Department

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CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

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INTRODUCTORY SECTION

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March 24, 2026

City of Highland Village
Highland Village, Texas 75077

To the Honorable Mayor Wilcox, Members of the City Council and Citizens of the City of Highland Village:

The Finance Department of the City of Highland Village is pleased to submit the Annual Comprehensive Financial Report of the City of Highland Village, Texas, for the fiscal year ended September 30, 2025.

The report is published to provide the City Council, management staff, our citizens and other interested parties with detailed information concerning the financial condition and performance of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Highland Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The financial statements included in this report were prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA). To demonstrate further public accountability, the independent accounting firm of Certified Public Accountants, Pattillo, Brown & Hill, L.L.P. whose report is included herein, has audited the City's financial statements.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Highland Village's financial statements for the year ended September 30, 2025. The independent auditor's report is located at the front of the financial section of this report.

In addition, a Management's Discussion and Analysis (MD&A) section, immediately following the independent auditor's report includes a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Highland Village, incorporated in 1963, is located in the southeastern portion of Denton County along Highway 407, west of Lewisville. The City is approximately 20 miles north of Dallas, 34 miles northeast of Fort Worth, 15 miles southeast of Denton, and 8 miles north of Dallas/Fort Worth International Airport. Highland Village is primarily a residential community.

The City's estimated population in 2025 is 16,875, representing a modest 6% increase over the past decade. After years of sustained growth, Highland Village is approaching full development, as reflected in the declining number of new single-family residential permits. The City is currently approximately 96% built out, with an estimated 200 single-family homes remaining to be constructed on both platted and unplatted parcels. Full build-out is projected by 2030. Through fiscal year 2023, the City averaged 45 single-family residential permits annually; however, three permits have been issued annually the last two years. The average assessed value of existing single-family homes on the 2024 tax roll was $567,521.

Highland Village operates under a council-manager form of government. Policy-making and legislative authority are vested in the City Council, which consists of a mayor and six council members elected at large. The Council appoints the City Manager, who is responsible for appointing department heads. All council members serve two-year terms.

This report encompasses all funds and account groups of the City. Highland Village provides a full range of municipal services, including police and fire protection, street and infrastructure construction and maintenance, recreational facilities, and cultural events. In addition to general administrative services, the City operates water, sewer, and sanitation services. The City is also financially accountable for a legally separate component unit—the Highland Village Community Development Corporation—which is reported as a blended component unit in the City's financial statements.

The City Council is required to adopt a final budget no later than September 30, marking the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. It is prepared by fund, category (personnel, services and supplies, and capital), and department (e.g., police, fire, and human resources). Departments may reallocate resources within a category; however, transfers between categories or departments require City Council approval.

Local Economy

With supply chain disruptions largely resolved and the housing market remaining strong—though moderating due to higher mortgage rates—the North Texas economy has demonstrated notable resilience. Retail sales continue to perform well, albeit with more modest growth compared to FY 2023. Demand for housing still exceeds available supply, supporting stable home values. Job creation across Texas remains robust, though somewhat constrained by ongoing labor shortages. Continued corporate relocations to the region are expected to sustain housing demand, although limited inventory may restrict growth.

The City's proximity to Dallas/Fort Worth International Airport, as well as to Dallas and Fort Worth, continues to enhance its attractiveness for residential development. However, new construction has slowed significantly, with only three single-family residential permits issued in FY 2023 and FY 2024, compared to a historical annual average of 45 prior to FY 2023. The City currently maintains 5,746 water connections, of which 5,382 are residential. Given that the residential tax base constitutes a significant portion of the City's revenue, these trends directly impact its capacity to fund services and support future growth.

Commercial development has remained steady over the past five years, though at reduced levels as the City nears full build-out. The retail sector, in particular, has played a key role in strengthening the City's economic outlook. Over the past three decades, Highland Village has experienced gradual economic expansion, beginning with the completion of the Highland Village Town Center in 1995, followed by a second phase in 1997. While Kroger originally anchored the center, the space has since transitioned to new tenants, including Painted Tree and Planet Fitness.

Additional commercial growth in the late 1990s included the development of Valley Ridge Center along FM 407 and the establishment of United Community Bank, whose facility is now occupied by SouthState Bank following a merger with Independent Financial. In 1999, the City Council implemented an overlay ordinance requiring a residential-style design for nonresidential development, reinforcing the City's commitment to high-quality and cohesive aesthetics.

Infrastructure improvements have further supported economic activity. The extension of FM 2499 by Texas Department of Transportation has enhanced regional connectivity, particularly by providing an alternate route to DFW Airport. This has increased the commercial viability of properties near the intersection of FM 407 and FM 2499.

Retail and mixed-use developments expanded significantly in the early 2000s. Notable projects include Village Creek Center, Tartan Village Retail Center, and Tartan Square. The Barnett Center evolved into a multi-use development featuring childcare, veterinary services, and senior living facilities. Additionally, a former banquet hall known as Celebrations was transformed into Hidden Pines Chapel and is now home to Delhi 6 Indian Scratch Kitchen and Bar.

As available commercial land has diminished—primarily concentrated along FM 407 and FM 2499—the City has prioritized high-quality, compatible development through additional overlay zoning. This strategy aims to maximize land use while preserving the City's character and quality of life.

The remaining principal area for retail development, at the intersection of FM 407 and FM 2499, saw substantial activity beginning in 2006. At the northeast corner of this intersection - the Marketplace at Highland Village, a 66-acre retail mixed-use development anchored by a 205,000 square foot Wal-Mart Super center, also including approximately 280,000 square feet of retail, office, and restaurants, saw some of its businesses open in October 2006, with the Wal-Mart store opening in November 2007. The Wal-Mart store is truly one-of-a-kind, with preservation of a 125 year-old pecan tree incorporated into the front entrance of the store.

On the northwest corner of the intersection, The Shops at Highland Village, a 45-acre development opened in September 2007. Cheesecake Factory and an AMC Theater currently anchor the 380,000 square foot center, with upscale retail stores including Banana Republic, Victoria's Secret, as well as a variety of restaurants. The Shops at Highland Village is a pedestrian friendly, lifestyle shopping experience featuring fountains, outside dining areas, and pedestrian walkways – also connecting to the City's Inland Trail system. And the addition of Whole Foods in September 2014, further cements the vitality of this development. Some of the retail stores that open during the year include Bluemercury, Drybar, Lululemon, the Aspen Gift House, and Woof Gang Bakery and Grooming.

Just east of the Marketplace, The District of Highland Village represents another key mixed-use development. Initially approved in 2007, the project faced delays due to the economic downturn and subsequent legal disputes. Following collaboration between City officials and developers, a revised plan was approved in 2012. Construction began in 2014 and has since resulted in a 320,000-square-foot development comprising residential lofts, retail, and office space across nineteen buildings.
Highland Village remains predominantly residential, with a relatively small commercial base. Residential construction has slowed considerably as the City approaches full build-out, with approximately 200 remaining lots—primarily located in the western portion of the City—supporting only limited future growth.

To ensure optimal use of remaining undeveloped land, the City completed an update to its comprehensive plan in February 2023. This effort reflects a strategic focus on maximizing land use while maintaining community standards.

The surrounding region offers a diverse economic base, including major retail centers, wholesale distributors, and industrial suppliers. A strong labor market supports local businesses, with Denton County reporting an unemployment rate of approximately 4% as of September 2025.

Long Term Financial Planning

Economic development—particularly retail development—remains a primary objective for the City of Highland Village, although opportunities are increasingly limited due to the scarcity of remaining developable land. Expanding the City's retail base not only enhances convenience and amenities for residents, but also serves as a critical strategy to diversify revenues currently heavily reliant on property taxes. This need is especially important as the City approaches residential build-out and experiences slower growth in assessed property valuations.

The City Council has maintained a stated goal of preserving the current tax rate. However, recent legislation enacted by the Texas Legislature imposing revenue caps has effectively required reductions in the tax rate. When combined with declining additions to the tax roll, these constraints create ongoing challenges in sustaining the City's high level of service. Accordingly, a key focus in the coming years will be maintaining current staffing levels through full build-out while identifying operational efficiencies that do not compromise service quality.

Water supply, pumping capacity, and wastewater treatment remain critical infrastructure priorities as the City approaches build-out. Highland Village has secured a contract with the Upper Trinity Regional Water District (UTRWD) for three million gallons per day (MGD) of treated surface water, supplementing the City's four groundwater wells. The utility rate structure has been updated to reflect a 70/30 blend of surface and groundwater sources. Additionally, the rate model has been restructured to rely more heavily on base charges rather than seasonal consumption, creating a more stable and predictable revenue stream while distributing costs more equitably among residents.

For wastewater treatment, the City entered into a long-term agreement in 1995 with UTRWD's Lakeview Wastewater Reclamation Project, initially securing 1.8 MGD of treatment capacity. Developer-funded impact fees historically covered a significant portion of these costs, minimizing the burden on existing ratepayers. The City's current utilized capacity stands at 1.65 MGD, with the option to increase back to 1.8 MGD if needed. Existing water and wastewater capacity is expected to meet demand through full build-out.

A municipal drainage utility was established at the end of FY 2006 to fund stormwater management and comply with Phase II MS4 regulations administered by the Texas Commission on Environmental Quality. The drainage fee, initially set at $1.20 per 1,000 square feet of impervious surface, has been adjusted over time to $1.80 as of FY 2025. For most residents, this equates to a monthly charge of approximately $5 to $7. The drainage utility, staffed by five employees, has successfully completed numerous drainage projects in-house, generating cost savings while improving infrastructure. Additionally, the City implemented an ongoing mosquito abatement program in FY 2013 in response to increased cases of West Nile Virus.

The City continues to invest in parks and recreation to meet evolving community needs. Park Development Fees, first established in 1991 and expanded in 1997, fund improvements to community parks, neighborhood parks, and the inland trail system. Early investments included the development of Unity Park, with Phase I completed in 1996 and Phase II in 1997, supported by general obligation bonds. Subsequent enhancements, including parking and facilities, were completed in 2012.

Expansion of the City's park system continued with the completion of Village Park in 2005 and the development of an extensive trail network. The initial 9.83-mile trail spine was funded in part by a federal TEA-21 grant and completed in 2006. Voter approval of a dedicated 4B sales tax in 2004 provided a long-term funding source for trail expansion and recreational amenities. Today, a continuous trail segment spans the length of the City, with a long-term goal of 28 miles outlined in the Trail Master Plan.

Significant park investments include the acquisition and development of Doubletree Ranch Park, a 36-acre site funded through certificates of obligation and supplemented by mitigation funds from the Texas Department of Transportation. Opened in 2016, the park features open space, trails, athletic fields, and recreational amenities. Lakeside Community Park, completed in 2015 along Lake Lewisville, provides waterfront access, trails, and scenic pavilions.

The City's commitment to parks was further reinforced by a $7.1 million bond issuance in 2018, following voter approval in 2017. Key projects included enhancements to Unity Park, highlighted by the reconstruction of the Kids Kastle playground into a modern, all-inclusive facility completed in FY 2020. This amenity remains a significant point of community pride.

Taking advantage of favorable interest rates and expiring debt, the City issued $6.4 million in bonds in 2022 to address park infrastructure and improvements to Pilot Knoll Park, alongside $8.85 million for street projects. Additional financing includes $2.805 million in tax notes issued in 2024 for equipment replacement through 2029, and $7.13 million in certificates of obligation issued in FY 2025 to reconstruct major thoroughfares, including Highland Shores Boulevard and Highland Village Road. Denton County will fund 50% of these roadway improvements through its bond program.

Major Initiatives

The City's staff, following specific directives of the City Council and City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens are able to live and work in an enviable environment. The following are initiatives and programs relating to general governmental functions:

- Implement Skilled Trades Services policy to facilitate procurement process.
- Review and update Financial Policies as needed.
- Complete transition of Bank Depository to Independent Financial.
- Implement system to receive utility and court payments via phone.
- Complete a data conversion of Municipal Court software to the current version.
- Reconfigure Accounts Payable work-flow process to accommodate necessary approval and documentation with implemented Tyler Content Manager software.
- Add Compliance Dismissals to the menu of online court forms available for public use.
- Transition the document repository for manual journal entries from Laserfiche to Tyler Content Manager.
- Create a work-flow process for cash collection documentation.
- Partner with Police and Fire departments to organize a safety day, fostering a culture of safety and preparedness.
- Streamline onboarding and Family Medical Leave (FML) processes by implementing document workflow and digital signatures.
- Conduct a market city and incentive pay review to maintain competitive and equitable compensation structures.
- Launch an employee experience survey through Lattice for onboarding and off boarding to identify and enhance the employee experience.
- Roll out a new Personnel Policies and Procedures Manual updates.

- Deliver targeted training on HR policies and practices with a focus on enhancing employee engagement and retention.
- Audit all systems to ensure that information is up to date with no errors.
- Collaborate with NeoGov to leverage analytics for improving recruitment efficiency and outcomes.
- Prepare for future turnover and succession in various departments.
- Increase familiarity of City staff and requestors on availability and use of the City's online system to process public information requests.
- Provide timely access to public documents, such as meeting minutes, monthly reports, and Code of Ordinances via the City's website.
- Continue to enhance our database to include comprehensive reporting features relating to vacancies, appointments, terms and training of board and commission members.
- Recruit citizen volunteers to serve on City boards and commissions.
- Provide an annual Orientation and Training Workshop for newly appointed board and commission members.
- Process applications submitted by nonprofit organizations for Council's presentation of grants for services to residents of the City.
- Improve and encourage dialogue on City communication channels with the public and respond to inquiries in a timely manner.
- Design and print 2025 Legislative Priorities document for Council and staff to provide to legislators during Denton County Days.
- Develop style guide for consistent use of City logo, facility names, and landmarks. Work with Human Resources and City Secretary's Office to create customer service expectation communication.
- Create communication to residents providing answers and updates to issues mentioned in the resident survey verbatims.
- Provide Council action updates to residents and inform of opportunities to engage with Council during public meetings.
- Review social media, website, and digital newsletter analytics to determine future goals and changes needed to improve communication and engagement with residents.
- Upgrade all Police Department servers to ensure reliability and improved performance.
- Enhance network security measures.
- Replace outdated switch hardware with modern equipment.
- Update Microsoft Office software for all desktop users.
- Transition to a new cloud-based phone system.
- Expand online capabilities to include all permit types.
- Test and launch an online inspection scheduling system for public use.
- Adoption of the 2021 International Building Codes.
- Continue adding permits for the availability to initiate online.
- Study the possibilities of a rental inspection program.
- Hire a firm to assist staff with consolidation of all PDs, update Zoning Ordinances to current State laws and review and revise current City codes to provide clear definitions and direction to code enforcement officers.
- Replace water fountains at City Hall, Police Dept. & Public Works to hands free devices.
- Replace standby generator located at City Hall on the east side of the building
- Upgrade electrical services at City Hall to current standards.
- Study the foundation failure on the police side of the Municipal Complex.
- Address various office and common areas painting throughout facilities.
- Accommodate Window replacements.
- Auction old equipment taken out of service.
- Review O&M plans for each of the four sites and develop a maintenance plan for each site.

- Design and install a standby generator system at the Municipal Service Center site.
- Cost out and purchase yellow fleet replacements as identified in the Tax Note issue.
- Manage and modify the concrete panel replacement program.
- Manage the Street Sweeping Program and modify as needed.
- Update the Highland Village Training program to include courses that crosswalk for college credit in the field of pavement management.
- Update the sign registry and inventory condition index.
- Maintain pavement striping, school zone flashers, and signage.
- Continue to utilize and improve City Works and GIS, including the development of a pavement life cycle cost analysis.
- Update the pavement condition index of streets in Highland Village using the standard manual survey method.
- Continue to work with LISD to improve the Street Department Internship program focusing on the ADA sidewalk inventory, and updating the PCI.
- Construct the 2024 Asphalt Overlay Project.
- Design and construct the 2025 Asphalt Overlay Project.
- Design the Highland Shores Reconstruction Section 2 Project.
- Design the Highland Village Rd. Reconstruction Project.
- Replace the Wayside Horn systems at 1 of the 2 RXR crossings.
- Continue the storm water education campaign.
- Continue study of all drainage creeks within City Limits that are located within easements or on private property.
- Construct the Quail Cove / Walmart retention pond dredging Project.
- Complete the Unity Park pond bank stabilization Project.
- Monitor for West Nile Virus May, 2025 through September, 2025.
- Complete the City's renewal of the MS4 Permit.
- Complete design and construct the Lake Vista Well Upgrade Project.
- Complete the design of the water line plans to serve the northwest portion of the City (Brooks Ct.), obtain a USACE and TxDOT permits to construct the Project.
- Continue designing the replacement water line and sanitary aerobic system for Pilot Knoll Park.
- Continue sanitary sewer line cleaning.
- Construct the remaining erosion repair project for the remaining 27" sewer trunk main along the lakeshore.
- Construct the 2024 WL Replacements Gayle, Merriman, Oak St, and Cedar water line replacement project.
- Construct a drainage/erosion control project in the Clearwater subdivision.
- Construct the Lift Station #2 & #7 force main replacements.
- Paint Lake Vista Ground Storage Reservoir.
- Finalize Oak Street Ground Storage Tank painting project.
- Re-Negotiate Shops Contract – The Shops at Highland Village contract expires at the end of 2024 and our goal is to re-negotiate and continue this mutually beneficial community partnership. This contract funds two Police Officer positions, at no cost to the City, and provides for a Police Substation. The program has been very successful in keeping crime low and increasing positive officer interaction with our local business community. This contract has been in effect since 2015.
- Handgun Replacements with Red Dot Sights – The department will replace its existing handguns with new ones outfitted with red dot sights. These sights allow for improved safety, quicker target acquisition, increased accuracy and better field of view. These were approved in the FY 2024 budget but were not fully available until this fiscal year.
- FBI National Academy - Lt McCally is scheduled to attend the FBI National Academy in Quantico Virginia in early 2025. This advanced command training will prepare him for increased future leadership responsibilities.

- Recruitment and Retention Planning - Police recruitment continues to be a challenge both in Texas and across the country. Many agencies are experiencing losses and struggling to recruit and retain officers. This past fiscal year we hired four (4) Police Officers and three (3) Communications Officers. We will continue to work closely with Human Resources to make recruitment and retention a high priority.
- Trikke Program – Incorporate third trikke into our community policing model. Officers will be trained on each shift in order to fully utilize them at events, inland trail and patrol operations.
- Increase max staffing for each shift from 6 to 7 personnel.
- Update Uniform Fire Code from current 2015 to 2024.
- Become early adopters of TFCA Best Practices new platform, Vector Solutions.
- Review and update department policies to comply with Texas Fire Chiefs Association Best Practices.
- Replace four Thermal Imaging Cameras.
- Add and/or replace Knox key systems on all apparatus.
- Conduct multi-jurisdictional training with Flower Mound and Lewisville fire departments.
- Review events for opportunities to improve the community attendee experience.
- Increase Camp Highland Village summer camp enrollment.
- Complete Unity Park improvement projects.
- Complete Village Park improvements to include pier renovation.
- Complete the electrical upgrade project at Doubletree Ranch Park.
- Complete the project to replace the Gatehouse at Pilot Knoll Park.
- Start the process for redesigning the Robert and Lee DuVall Center entrance and administrative areas to better meet patrons and staffs workflow and safety needs.
- Plant 12 trees along Briarhill Rd at Unity Park as part of the reforestation initiative.
- Build a new basketball court at Unity Park.
- Renovation of Village Park fishing pier.
- Complete the design for the Pilot Knoll boat ramp area improvements.
- Install additional dome posts at Copperas Branch Park to better control parking areas.
- Continue working with the Parks Foundation with wildflower and tree planting programs.

Completed Projects - Parks

- Unity
    - Renovated the baseball and softball fields, including laser grading, new irrigation, and new infield sod.
    - Installed a new outdoor basketball court.
    - Planted 12 new trees at Unity Park along Briarhill Road.

- Doubletree Ranch
    - Installed 12 new 50-amp receptacles and two new 20-amp receptacles to support events in the area between the barn and the pavilion.
    - Installed six new vertical features at the splash pad.

- Pilot Knoll
    - Renovated a portion of the asphalt road and loop in the RV area of the park.
    - Entered into an agreement with a Construction Manager At Risk to help with the construction cost estimating and eventually the construction of city council-approved projects.
    - Conducted a community engagement meeting on the boat ramp area project.

- Village Park
    - Completed the renovation of the fishing pier.

- Other
    - Added park inspections to the City work order system.
    - Initiated an amenity station beautification project at 2499 in the round bed on City Trail.
    - Added new technology: a robotic mower and athletic field painter, which provided skilled employees to focus on more critical and technical work tasks.

- Community Volunteer Help for Projects and Events
    - Coordinated the Arbor Day tree planting at Unity Park with the Friends of Highland Village Parks Foundation.
    - Events
        - Hosted the Easter Egg Hunt event.
        - Hosted the Celebrate Highland Village community event.
        - Hosted the TXFallenPD/Concert in the Park event.
        - Coordinated the Tri-Town Amazing Race event.
        - Hosted the Christmas at The Ranch event.
        - Organized a teen event.
        - Coordinated the Wichita Forest Volunteer Clean-up Day event.

Completed, New, and Ongoing Events - Recreation

- Main Events
    - Hosted the Father Daughter Dance event.
    - Hosted the Easter Egg Hunt event.
    - Provided two community paper shredding events.
    - Hosted Movies in the Park events.
    - Hosted the Celebrate Highland Village community event.
    - Coordinated two Concerts in The Park events.
    - Expanded the TXFallenPD/Concert in the Park event.
    - Coordinated the Tri-Town Amazing Race event.
    - Hosted the Wine Down With The Grinch event.
    - Hosted the Christmas at The Ranch event.
    - Coordinated the Unite HV Employee Day event.
    - Organized a new teen event.

- Senior All-Star Programming
    - Offered MOVE classes every Wednesday.
    - Hosted the Highland Village Book Club on first Wednesdays.
    - Provided Music with Mark programming on second Wednesdays.
    - Offered cooking classes once a month.
    - Provided Zumba Gold classes every Tuesday.
    - Hosted a bridge group every Thursday.
    - Hosted a mahjong group every Wednesday.
    - Expanded pickleball programming to every Monday, Tuesday, Wednesday, Thursday, and Friday.
    - Coordinated Meals on Wheels service on first and third Thursdays.
    - Offered Tai Chi classes every Monday and Thursday.
    - Hosted the All-Star Stitchers Club every Wednesday.
    - Provided Lunch & Learns twice a month.
    - Coordinated trips at least twice a month.

- Other Programming
  - Offered Explore Outdoors nature classes.
  - Offered Grounding Yoga and Forest Bathing programming.
  - Provided Aquabeats kayaking programs.
  - Offered Shotakan Karate classes.
  - Offered Hatha Yoga classes.
  - Provided Situational Awareness training.
  - Hosted Fit for Mom fitness programming.
  - Hosted Camp Gladiator fitness programming.
  - Offered children's cooking camps.
  - Hosted Red Cross CPR/Babysitting camps.
  - Coordinated geocaching programs.
  - Hosted Kidventure summer camp.
  - Conducted a survey with pickleball players at the Robert and Lee DuVall Center.

Relevant financial policies

The City of Highland Village maintains comprehensive financial policies governing its accounting practices and fiscal operations, with particular emphasis on asset management, operating reserves, and fund balance levels. These policies are designed to ensure long-term financial stability and responsible stewardship of public resources.

The City has established a target to maintain a General Fund balance equivalent to at least 20% of annual expenditures. In practice, fund balance levels have consistently exceeded this minimum threshold. Over the past several years, ending fund balances have been as follows: 45% in FY 2020, 46% in FY 2021, 41% in FY 2022, 49% in FY 2023, 51% in FY 2024, and 50% in FY 2025.

City financial policies further stipulate that one-time or non-recurring revenues are not to be used to support ongoing operational expenditures. Instead, such revenues are reserved for one-time uses, such as long-lived capital investments, and are explicitly prohibited from being used for budget balancing purposes.

Current fund balance levels exceed the range considered necessary for ongoing operations. As a result, the City has adopted a gradual approach to reducing fund balance levels to its policy target range of 20% to 25%. This strategy includes utilizing excess reserves to fund capital projects, thereby aligning reserve levels with policy goals while addressing infrastructure needs.

Maintaining a strong alignment between revenues and operating expenditures remains a central financial priority. The City continues to monitor its fiscal position to ensure that sufficient, sustainable revenues are available to support the high level of services expected by the community.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Village for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. This marks the 32nd consecutive year the City has received this prestigious recognition.

To earn the Certificate of Achievement, a government must publish an annual comprehensive financial report that is not only easily readable and efficiently organized, but also fully compliant with generally accepted accounting principles and all applicable legal requirements.

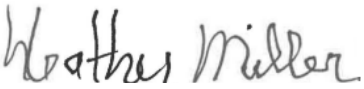
The Certificate of Achievement is valid for one year only. The City believes that its current Annual Comprehensive Financial Report continues to meet the program's rigorous standards and has submitted it to the GFOA for consideration for another award.

In addition, the City received the GFOA Distinguished Budget Presentation Award for its fiscal year 2025 budget document—its 20th consecutive year earning this honor. To qualify, the budget document must be evaluated as a comprehensive policy document, a sound financial plan, an effective operations guide, and a clear communications tool.

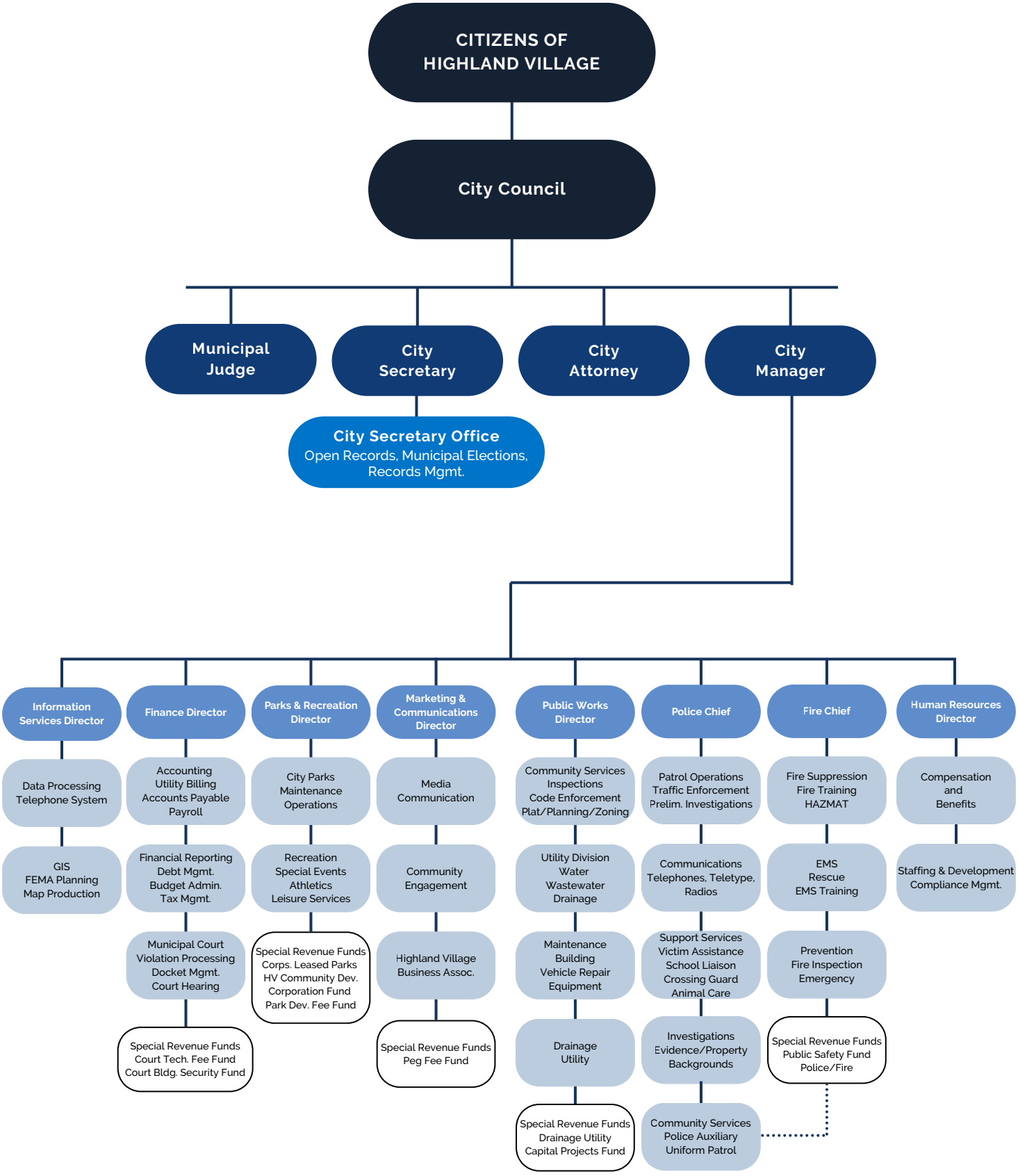
The timely preparation of this Annual Comprehensive Financial Report was made possible through the dedication and professionalism of the City's Finance Department staff. Their efforts and attention to detail are sincerely appreciated.

In closing, the preparation of this report would not have been possible without the continued leadership and support of the City Council of Highland Village.

Sincerely,



Heather Miller
Finance Director


CITIZENS OF HIGHLAND VILLAGE
City Council
Municipal Judge
City Secretary
City Attorney
City Manager
City Secretary Office
Open Records, Municipal Elections, Records Mgmt.
Information Services Director
Data Processing Telephone System
GIS FEMA Planning Map Production
Finance Director
Accounting Utility Billing Accounts Payable Payroll
Financial Reporting Debt Mgmt. Budget Admin. Tax Mgmt.
Municipal Court Violation Processing Docket Mgmt. Court Hearing
Special Revenue Funds Court Tech. Fee Fund Court Bldg. Security Fund
Parks & Recreation Director
City Parks Maintenance Operations
Recreation Special Events Athletics Leisure Services
Special Revenue Funds Corps. Leased Parks HV Community Dev. Corporation Fund Park Dev. Fee Fund
Marketing & Communications Director
Media Communication
Community Engagement
Highland Village Business Assoc.
Special Revenue Funds Peg Fee Fund
Public Works Director
Community Services Inspections Code Enforcement Plat/Planning/Zoning
Utility Division Water Wastewater Drainage
Maintenance Building Vehicle Repair Equipment
Drainage Utility
Special Revenue Funds Drainage Utility Capital Projects Fund
Police Chief
Patrol Operations Traffic Enforcement Prelim. Investigations
Communications Telephones, Teletype, Radios
Support Services Victim Assistance School Liaison Crossing Guard Animal Care
Investigations Evidence/Property Backgrounds
Community Services Police Auxiliary Uniform Patrol
Fire Chief
Fire Suppression Fire Training HAZMAT
EMS Rescue EMS Training
Prevention Fire Inspection Emergency
Special Revenue Funds Public Safety Fund Police/Fire
Human Resources Director
Compensation and Benefits
Staffing & Development Compliance Mgmt.

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2025

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

MAYOR AND CITY COUNCIL

		Term Expires
Charlotte Wilcox, Mayor	Place 1	05/2026
Jon Kixmiller	Place 2	05/2026
Kevin Cox	Place 3	05/2027
Shawn Nelson	Place 4	05/2026
Rhonda Hurst	Place 5	05/2027
Robert Fiester, Deputy Mayor Pro Tem	Place 6	05/2026
Brian Fiorenza, May Pro Tem	Place 7	05/2027

ADMINISTRATIVE

Paul Stevens	City Manager
Angela Miller	City Secretary
Heather Miller	Finance Director
Scott Kriston	Director of Public Works
Doug Reim	Police Chief
Scott Green	Fire Chief
Kim Lopez	Human Resources Director
Phil Lozano	Director of Parks and Recreation
Sunny Lindsey	Information Services Director
Laurie Mullens	Director of Communications and Marketing

Prepared by:
City's Finance Department

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Village Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and City Council
City of Highland Village, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in the notes to the basic financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

AICPA GAQC Member

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the City's fiscal year 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2026

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Highland Village, we offer readers of the City of Highland Village's financial statements this narrative overview and analysis of the financial activities of the City of Highland Village for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Highland Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $62,536,082. Of this amount, $12,731,712 may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Highland Village's total net position decreased by $25,963, with a $315,374 increase in net position related to governmental activities and a decrease of $341,337 in net position in business-type activities.

- As of September 30, 2025, the City of Highland Village's governmental funds reported combined ending fund balances of $36,051,362, an increase of $6,074,304 in comparison with the prior year. Approximately 24 percent of this total amount, $8,621,948, is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $8,621,948 or 36 percent of total General Fund expenditures.

- The City of Highland Village's total debt increased by $4,254,000 during the current fiscal year. This is attributed to certificates of obligation issued for $7,130,000, net with debt payments of $2,876,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Highland Village's basic financial statements. The City of Highland Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Highland Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Highland Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Highland Village is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

Governmental activities. Most of the City's basic services are reported here, including the police, fire, community development, public works, information services, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

Business-type activities. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer utilities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Highland Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Highland Village maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Fund (a component of proprietary funds) is identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

The City of Highland Village maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highland Village's budgetary comparison schedules and its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $62,536,082 as of September 30, 2025. Analyzing the net position of governmental and business-type activities separately, governmental activities' net position was $47,795,777 and business-type activities' net position was $14,740,305. This analysis focuses on the net position (Table 1), and the changes in net position (Table 2).

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1

CITY OF HIGHLAND VILLAGE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 41,416,643	$ 35,228,353	$ 9,706,150	$ 10,681,893	$ 51,122,793	$ 45,910,246
Capital assets	57,755,230	58,622,860	15,560,035	14,867,758	73,315,265	73,490,618
Total assets	99,171,873	93,851,213	25,266,185	25,549,651	124,438,058	119,400,864
Deferred outflows of resources	1,429,306	2,520,523	179,412	304,464	1,608,718	2,824,987
Long-term liabilities	46,797,642	42,726,722	8,674,590	9,440,522	55,472,232	52,167,244
Other liabilities	2,663,511	2,567,692	1,911,890	1,104,312	4,575,401	3,672,004
Total liabilities	49,461,153	45,294,414	10,586,480	10,544,834	60,047,633	55,839,248
Deferred inflows of resources	3,344,249	3,045,309	118,812	68,712	3,463,061	3,114,021
Net position:						
Net investment in capital assets	37,124,862	37,418,194	7,103,088	6,023,518	44,227,950	43,441,712
Restricted	3,872,385	3,664,933	1,704,035	1,768,698	5,576,420	5,433,631
Unrestricted	6,798,530	6,948,886	5,933,182	7,448,353	12,731,712	14,397,239
Total net position	$ 47,795,777	$ 48,032,013	$ 14,740,305	$ 15,240,569	$ 62,536,082	$ 63,272,582

During the current year, the City adopted new accounting standards for compensated absences with the adoption of GASB Statement No. 101, Compensated Absences. The information above for 2025 has been restated to reflect this change, but, in accordance with GASB pronouncements, 2024 was not adjusted. See note 1.D. to the financial statements for more information.

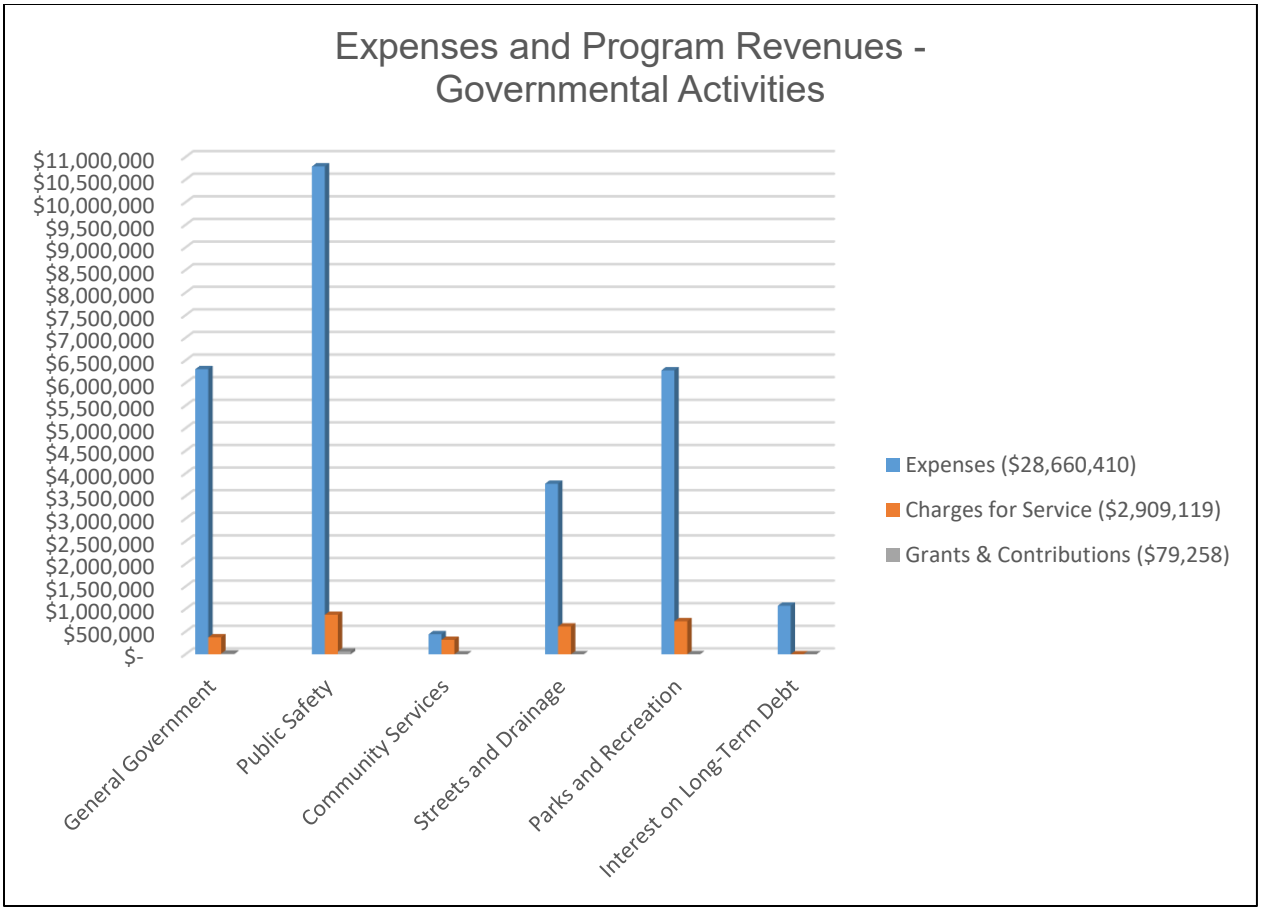
The following table (Table 2) provides a summary of the City's operations for the year ended September 30, 2025. Governmental activities increased the City's net position by $315,374 and business-type activities decreased the City's net position by $341,337, resulting in a net $25,963 increase in total net position.

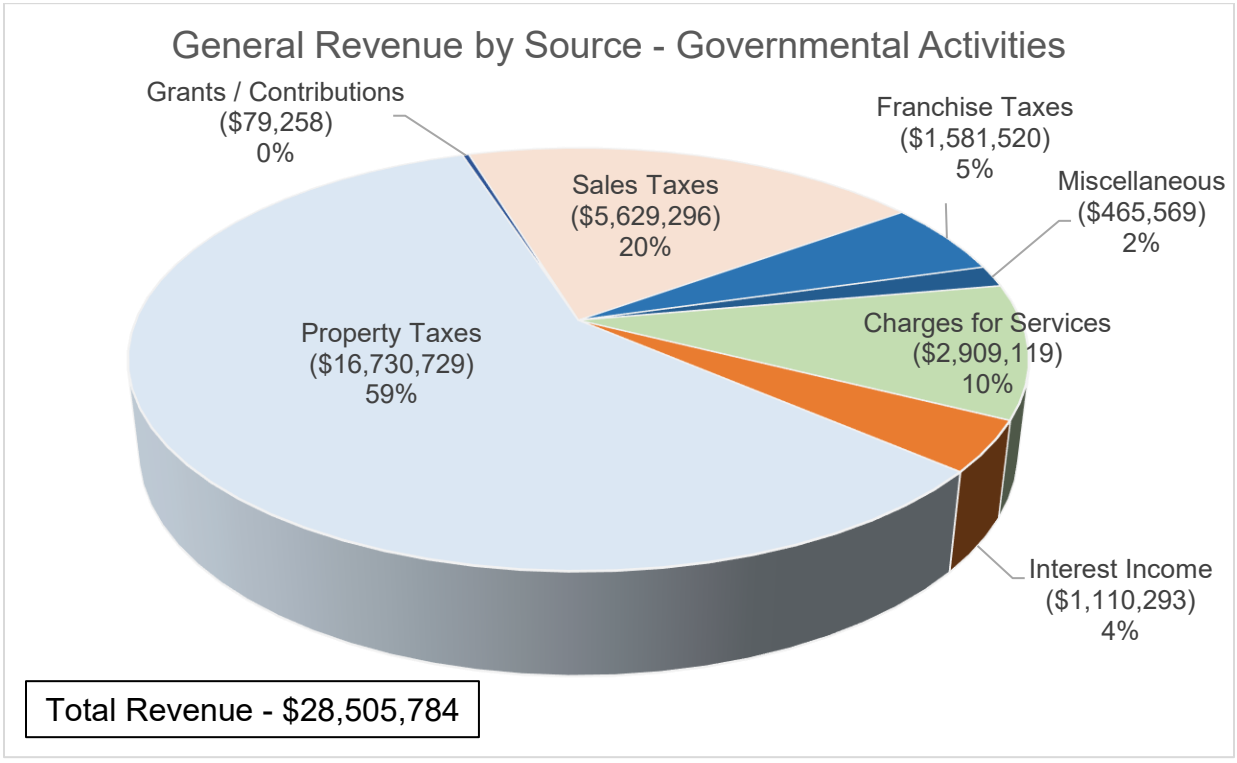
TABLE 2

CITY OF HIGHLAND VILLAGE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 2,909,119	$ 2,776,651	$ 10,175,801	$ 10,273,938	$ 13,084,920	$ 13,050,589
Operating grants and contributions	76,258	114,839	-	966,580	76,258	1,081,419
Capital grants and contributions	3,000	132,247	25,803	9,507	28,803	141,754
General revenues:						
Property taxes	16,730,729	15,869,314	-	-	16,730,729	15,869,314
Sales taxes	5,629,296	5,622,168	-	-	5,629,296	5,622,168
Franchise fees	1,581,520	1,563,746	-	-	1,581,520	1,563,746
Interest income	1,110,293	1,307,651	361,104	315,089	1,471,397	1,622,740
Miscellaneous	465,569	107,560	-	-	465,569	107,560
Total revenues	28,505,784	27,494,176	10,562,708	11,565,114	39,068,492	39,059,290
Expenses:						
General government	6,304,516	6,243,098	-	-	6,304,516	6,243,098
Public safety	10,790,272	10,093,477	-	-	10,790,272	10,093,477
Community services	442,109	423,751	-	-	442,109	423,751
Streets and drainage	3,771,368	3,997,479	-	-	3,771,368	3,997,479
Parks and recreation	6,280,036	5,613,243	-	-	6,280,036	5,613,243
Interest on long-term debt	1,072,109	874,264	-	-	1,072,109	874,264
Water and wastewater	-	-	10,434,045	9,994,342	10,434,045	9,994,342
Total expenses	28,660,410	27,245,312	10,434,045	9,994,342	39,094,455	37,239,654
Change in net position before transfers	(154,626)	248,864	128,663	1,570,772	(25,963)	1,819,636
Transfers	470,000	470,000	(470,000)	(470,000)	-	-
Change in net position	315,374	718,864	(341,337)	1,100,772	(25,963)	1,819,636
Net position, beginning	48,032,013	47,313,149	15,240,569	14,139,797	63,272,582	61,452,946
Restatement	(551,610)	-	(158,927)	-	(710,537)	-
Net position, ending	$ 47,795,777	$ 48,032,013	$ 14,740,305	$ 15,240,569	$ 62,536,082	$ 63,272,582

Governmental activities. The City's expenses for governmental activities are detailed below – with associated program revenues.




General Revenue by Source - Governmental Activities
Grants / Contributions ($79,258) 0%
Franchise Taxes ($1,581,520) 5%
Miscellaneous ($465,569) 2%
Sales Taxes ($5,629,296) 20%
Charges for Services ($2,909,119) 10%
Property Taxes ($16,730,729) 59%
Interest Income ($1,110,293) 4%
Total Revenue - $28,505,784

Net position associated with governmental activities increased $315,374 in FY 2025 – this compared to a $718,864 increase in net position in FY 2024.

- FY 2025 revenues increased by $1,011,608 compared to the previous year. Key elements contributing to this increase are summarized below:

    - Charges for services increased by $132,468. This increase was primarily driven by higher revenues in Public Safety ($141,574), largely related to LISD participation in funding school resource officers, and Streets and Drainage ($99,654), mainly due to the increase in the drainage fee from $1.40 to $1.80 per impervious foot. These increases were partially offset by a decrease in Parks and Recreation fees of $122,947, resulting from the temporary closure of several campsites during an asphalt overlay project.

    - Operating grants and contributions decreased by $167,828, primarily due to the DCTA TRiP (Transportation Investment Program) fund revenues received in FY 2024. This program distributes 15% of DCTA's net available fund balance from the prior fiscal year among member cities—Denton, Lewisville, and Highland Village—based on each city's proportional share of sales and use tax receipts from the previous fiscal year.

    - Property tax revenues increased by $861,415 during the year. The majority of this increase resulted from a 5.9% increase in the taxable assessed value of property, partially offset by a reduction in the property tax rate.

    - Sales tax revenue increased modestly by $7,128. Sales tax collections have remained relatively flat over the past two fiscal years.

    - Investment earnings decreased by $197,358, primarily due to lower investment yields.

- FY 2025 expenses increased by $1,415,098 compared to FY 2024, primarily due to inflationary pressures and increased service demand. Total expenses of $28,660,410 exceeded total revenues, resulting in a $154,626 decrease in net position before transfers. This represents a decline compared to FY 2024, which reported an increase in net position of $248,864.

    - General government expenses increased by $61,418. This change is largely attributable to $230,716 in costs related to fire apparatus and vac-con repairs, as well as maintenance and structural foundation assessments at a City facility. These increases were partially offset by a $189,952 reduction in personnel costs, primarily due to staff turnover.

    - Public safety expenses increased by $696,795. The majority of this increase is due to a $767,595 rise in personnel costs, driven by a 6% market adjustment aimed at recruiting and retaining public safety staff and add a firefighter/paramedic position. This was partially offset by a $118,397 decrease in the City's proportional share of costs associated with constructing a regional fire training facility.

    - Streets and drainage expenses decreased by $226,111. This reduction is mainly due to a $375,642 decrease in street maintenance costs following the completion of the Highland Shores Asphalt Overlay project in FY 2024 and the 2024 and 2025 Asphalt Overlay Projects in FY 2025. The decrease was partially offset by a $97,294 increase in personnel costs related to the 6% market adjustment.

    - Parks and recreation expenses increased by $666,793. This increase includes $298,011 for overlay projects at Pilot Knoll and Copperas Branch parks, $86,240 in professional fees for the FM 407 trail alignment assessment, $126,787 for splash pad upgrades, and $99,694 for electrical improvements at Doubletree Ranch Park. Additionally, the Celebrate Highland Village event, which was canceled in FY 2024 due to inclement weather, resulted in $69,765 higher expenses in FY 2025.

    - Interest on long-term debt increased $197,845.

Business-type activities: Business-type activities reported a $341,337 decrease in the City's net position in FY 2025, compared to an increase of $1,100,772 in FY 2024. Overall, expenses and transfers exceeded revenues for the year.

- Charges for services decreased by $98,137 from the prior year total of $10,273,938. This decline is attributable to reduced consumption, with water usage decreasing by 5.6 million gallons and sewer usage decreasing by 4.0 million gallons compared to FY 2024.

- Operating and capital grants and contributions decreased by $950,284. In FY 2024, the City expended $966,580 in Coronavirus State and Local Fiscal Recovery Funds, which did not recur in FY 2025. Impact fee collections totaled $25,803, representing an increase of $16,296 over the prior year.

- Interest income increased by $46,015 compared to FY 2024.

- Expenses increased by $439,703 year over year, primarily due to higher maintenance costs. FY 2025 included $267,485 in emergency sanitary sewer manhole and bypass system repairs. In addition, the Oak Street ground storage tank repainting project was completed at a cost of $153,328.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $36,051,362 an increase of $6,074,304 in comparison with the prior year. Approximately 24 percent of this total amount, or $8,621,948, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for spending because it has already been restricted - $24,029,996, committed - $95,119, assigned - $3,256,847, or non-spendable - $47,452.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $8,621,948, while total fund balance was $11,926,247. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36 percent of total General Fund expenditures, while total fund balance represents 50 percent of that same amount.

The original FY 2025 budget anticipated a $1,138,908 drawdown of the projected fund balance of $10,422,216. This planned use of fund balance was primarily intended to support a 6% overall salary increase, the addition of a firefighter/paramedic position, and facility maintenance needs including roof replacement and structural foundation assessment of City facilities, while still maintaining adequate reserve levels. Actual ending fund balance for FY 2025 was $11,647,042.

For FY 2025, revenues totaled $21,101,205, falling short of the budget by $837,255. Expenditures totaled $23,636,410, which were $842,006 below the budgeted amount. Additionally, $847,675 of expenditures were offset by lease financing, along with $85,921 related to subscription-based information technology arrangements (SBITAs). These combined variances resulted in an overall increase in fund balance of $279,205.

Key factors affecting fund balance are as follows:

- Total General Fund revenues of $22,101,205 increased by $493,244 compared to FY 2024.
    - Taxes increased by $534,327:
        - Property tax revenue rose by $522,178, primarily due to a 5.9% increase in assessed valuation, partially offset by a reduction in the tax rate.
        - Sales tax revenue decreased slightly by $5,625.
        - Franchise fees increased by $17,774.
    - Licenses, permits, and fees decreased by $36,239, reflecting reduced commercial building activity and recreation program participation.
    - Investment earnings decreased by $226,770 due to lower yields.
    - Charges for Services revenues experienced a $176,670 increase, related to LISD participation for funding of school resources officers.

- Miscellaneous revenue increased by $37,545 largely due a renewal incentive from the City's health insurance provider.

- Total General Fund expenditures of $23,636,410 increased by $797,978 from FY 2024.

  - Personnel expenditures totaling $16,037,576, an increase of $970,954, driven primarily by the 6% salary adjustment.

  - Services and supplies totaled $5,355,811, increased by $377,052. Key drivers include:

    - Completion of the 2024 and 2025 Street Asphalt Overlay projects totaling $354,421.
    - Repairs to fire apparatus and vac-con equipment totaling $141,268.
    - Structural foundation assessment of City facilities totaling $51,220.
    - Increased event costs of $69,765 due the cancellation of the Celebrate Highland Village event in FY 2024.

  - Capital outlay totaled $1,420,927, a decrease of $718,667. This decline is primarily due to a $832,343 reduction in lease-financed acquisitions, partially offset by a $60,421 increase in subscription-based information technology arrangements (SBITAs).

- Total other financing sources (uses) were $1,814,410, representing a decrease of $640,464 from FY 2024. This includes transfers in of $470,000 from the Utility Fund, $28,000 from the Highland Village Economic Development Corporation, $16,000 from the Drainage Utility Fund, and $19,202 from the Public Safety Fund for Child Safety Fees. These were partially offset by a $16,000 transfer to the Drainage Utility Fund for drainage fees. Additional sources include $847,675 in lease proceeds, $85,921 from SBITAs, and $363,612 from the sale of capital assets.

The Capital Projects Fund ended FY 2025 with a fund balance of $20,073,810, an increase of $5,585,577 from FY 2024. This increase is primarily attributable to the ongoing implementation of projects funded by the $15.3 million 2021 Certificates of Obligation and equipment acquisitions supported by the $2.805 million 2024 Tax Note, combined with proceeds from the $7.13 million Certificates of Obligation issued in FY 2025.

Remaining governmental funds reported a combined ending fund balance of $4,051,305, representing an increase of $209,522 from the prior year.

- Collective revenues for these funds totaled $5,762,621, an increase of $354,243 compared to FY 2024. This growth is largely due to a $390,962 increase in property tax revenues, driven by a 5.9% increase in assessed taxable property values.

- Combined expenditures totaled $5,505,897, an increase of $845,910 from the previous year. This increase is primarily related to higher debt service costs of $371,044. Additional contributing factors include increased parks and recreation expenditures in the Corps Leased Parks Fund ($284,499) and the Highland Village Community Development Corporation Fund ($182,980).

- Total other financing sources (uses) reflected a net outflow of $47,202, relatively consistent with FY 2024 (a decrease of $444). The Highland Village Community Development Corporation (HVCDC) continued its practice of transferring its portion of debt service to the Debt Service Fund, with transfers totaling $539,165 in FY 2025.

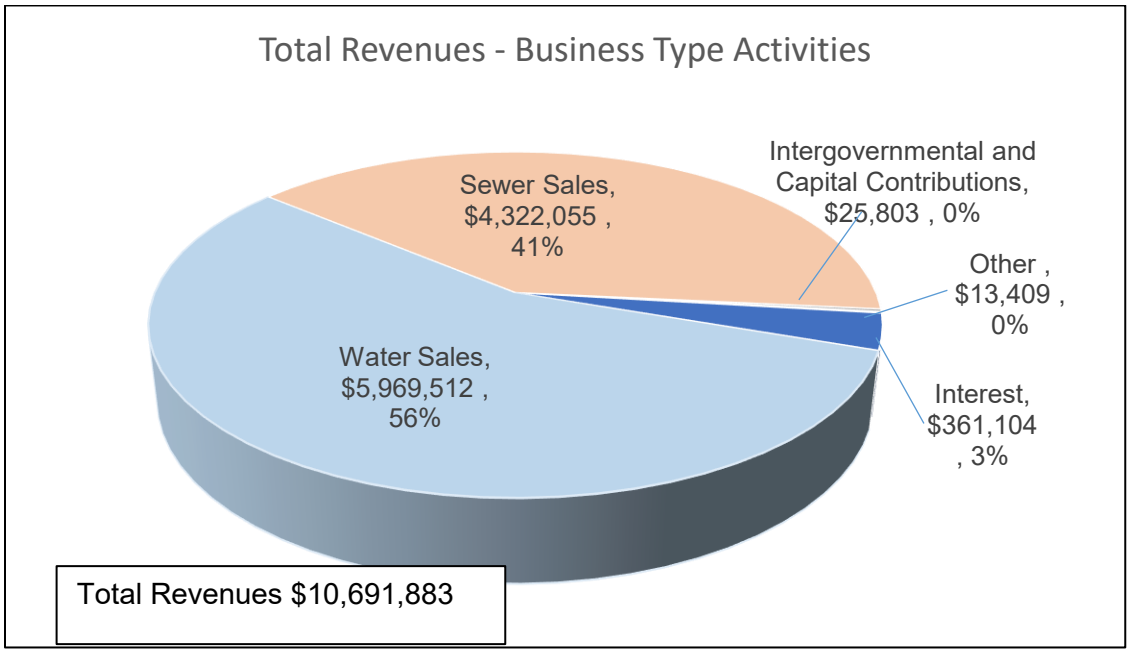
Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position in the Enterprise Fund totaled $14,740,305 at the end of FY 2025, representing a decrease of $500,264, or 3.3%, from the prior year. Of this amount, $1,131,003 is restricted for capital projects and $573,032 is restricted for debt service, while $5,933,182 is classified as unrestricted net position. The remaining balance of $7,103,088 represents net investment in capital assets.

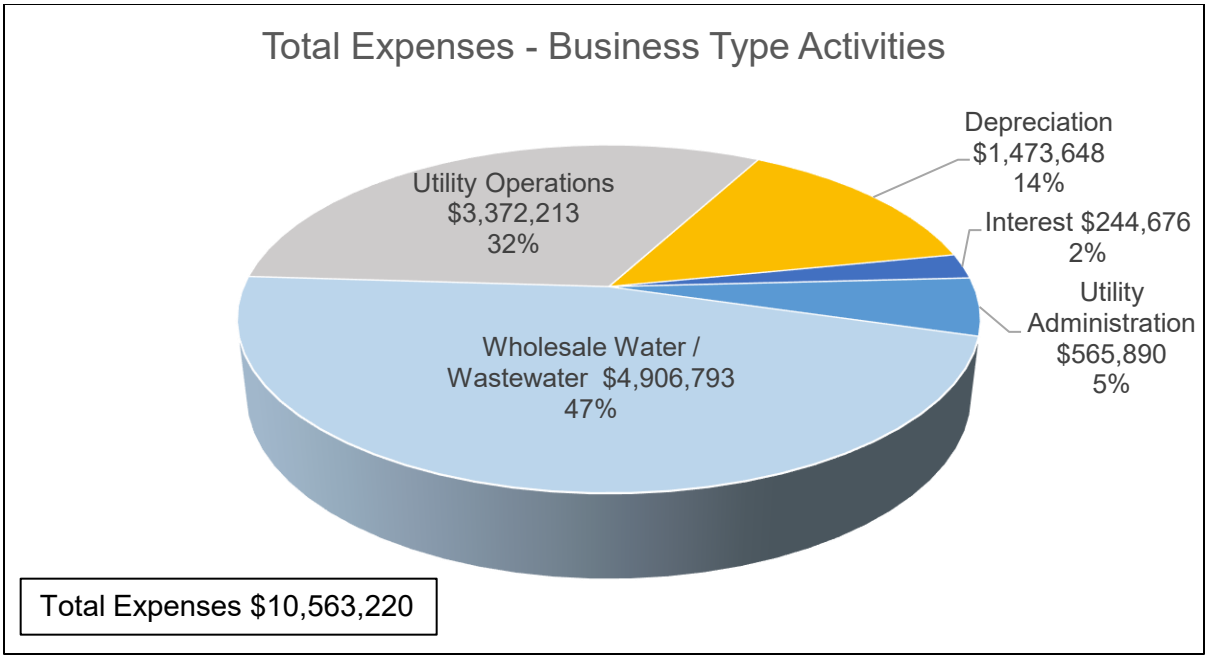
- Utility operating revenues totaled $10,175,801 in FY 2025, reflecting a decrease of $98,137, or 1.0%.

  - Water sales increased slightly by $5,053.

- Sewer sales decreased by $107,300.
- Other fees increased by $4,110.


Total Revenues - Business Type Activities
Sewer Sales, $4,322,055 , 41%
Intergovernmental and Capital Contributions, $25,803 , 0%
Other , $13,409 , 0%
Water Sales, $5,969,512 , 56%
Interest, $361,104 , 3%
Total Revenues $10,691,883

- Utility operating expenses totaled $10,318,544 in FY 2025, representing an increase of $526,737, or 5.4%, compared to the prior year.
  - Administration expenses increased by $65,258.
  - Maintenance and operations expenses increased by $402,577. Key components of this change include:
    - Wholesale water and sewer treatment costs decreased $78,851.
    - Personnel expenses increased by $169,782.
    - Services and supplies increased by $311,646, driven by the following:
      - Utilities costs decreased by $77,687.
      - Well lot maintenance increased by $52,884, primarily due to a fence replacement at the Lake Vista pump station.
      - Sewer line maintenance increased by $342,766 largely attributable to emergency sanitary manhole and sanitary bypass system repairs resulting from lake flooding and lift station failure.
      - Lift station maintenance decreased by $114,460 due to pump replacements completed in FY 2024.
      - Water storage tank maintenance increased by $153,328 due to the Oak Street Ground Storage Tank painting project.
      - Water meter maintenance decreased by $73,604.
  - Depreciation expense increased by $58,902 in FY 2025.



GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2024–2025, the City Council of the City of Highland Village amended the General Fund budget on three occasions, resulting in a net decrease in budgeted expenditures of $297,350. These amendments primarily reflect actions taken to fund unbudgeted items and to release appropriations for items that did not occur during the fiscal year.

Staff reviewed each supplemental appropriation throughout the year and determined that revenues and available fund balance were sufficient to support the recommended changes. All approved budget amendments included either offsetting reductions or adequate available reserves.

For FY 2025, actual expenditures on a budgetary basis totaled $23,636,410. This amount was $1,139,356 below the original budget of $24,775,766 and $842,006 below the final amended budget. The budget amendments approved during the year are summarized as follows:

- Personnel expenditures decreased by a net total of $9,000, including reductions in Finance ($25,000) and Fire ($10,000), offset by increases in Marketing and Communications ($12,500) and Parks and Recreation ($13,500). These changes were driven by mid-year adjustments, staff turnover, personnel changes, and insurance coverage elections.

- Services and supplies expenditures increased in $197,150, consisting of the following amendments:
  - Finance – Increase of $2,000 due to higher bank fees.
  - Fire – Increase of $5,200 for installation of "Stop the Bleed" cabinets and the purchase of an additional Automated External Defibrillator (AED).
  - Streets and Drainage – Increased of $193,500 for sign and barrier replacement, additional streetlight electricity costs, and costs associated with the 2025 street asphalt overlay project.
  - Parks and recreation – Net decrease of $3,550, reflecting an $18,450 increase to utilize fireworks contracted for the Celebrate Highland Village event canceled in FY 2024, offset by a subsequent $22,000 budget reduction.

- Capital outlay expenditures decreased by $485,500. This includes a $10,000 increase due to higher-than-expected costs for a rugged terrain vehicle and $119,500 related to the receipt of a dump truck ordered in the prior year, offset by a $615,000 reduction for electrical upgrades and generator acquisition deferred to FY 2026.

Actual revenues on a budgetary basis totaled $22,101,205, compared to the original budget of $22,938,460, resulting in a negative variance of $837,255. Tax revenues were $715,437 below budget, primarily due to lower-than-anticipated property tax and sales tax collections. Investment earnings were $274,610 below budget, reflecting decreased yields. These shortfalls were partially offset by miscellaneous revenues exceeding budget by $65,105, primarily due to a renewal incentive from the City's health insurance provider.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets, for its governmental and business-type activities as of September 30, 2025, amounted to $73,315,265 (net of accumulated depreciation). This investment in capital assets includes land, building, park facilities, roads, bridges, water and sewer lines, machinery, equipment, and right-to-use assets.

Major capital asset events during the current fiscal year included the following:

Project	Amount
Right to Use 16 Vehicles	$1,367,099
Replace Force Mains Water Wastewater Lift Stations 2 & 7	1,019,718
Gradall D172	338,671
Gayle, Merriman, Oak Cedar Waterlines	287,557
Brush Truck Ford F-550	248,170
Highland Shores Blvd Reconstruction	231,640
Brooks Court & Pilot Knoll Water Lines	225,840
Wastewater System Restoration Slope Protection	200,825
PC138 Excavator	192,591
2025 Ford F750 Super Dump Truck	119,230
Pilot Knoll Park Improvements	107,584
LP SDT Vacuum Excavator	90,943
Unity Park Backstop Fence	86,800
SBITA – ESRI Software	85,921
Unity Park Renovations/Irrigation	85,709
John Deere 5075M Tractor, Loader, & Attachment	77,442
Concrete Mixing Trailer	62,735
Komatsu PCS35MR-5	56,665
BC10000XL Brush Chipper	55,853
Pilot Knoll Boat Ramp Improvements	55,498
John Deere 4052R Tractor	53,963
Highland Village Rd. Reconstruction	53,320
Pickleball Court Renovation – Fencing	52,959
Ball Field Groomer	49,339
HAMM HD10NN Tandem Roller	48,404
GPS Paint Robot	47,675
Highland Shores Blvd. Crosswalk	40,400
All Terrain Utility Vehicle	34,184
HP 40 Trailer	33,592
Sullair 185 Portable Air Compressor	28,714

TABLE 3

CITY OF HIGHLAND VILLAGE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 17,183,848	$ 17,183,848	$ 75,713	$ 75,713	$ 17,259,561	$ 17,259,561
Land improvements	13,251,865	13,756,731	-	-	13,251,865	13,756,731
Buildings and improvements	3,137,919	3,649,533	430,259	502,180	3,568,178	4,151,713
Distribution system	-	-	11,083,224	11,052,362	11,083,224	11,052,362
Equipment and machinery	2,762,522	1,817,582	556,081	587,683	3,318,603	2,405,265
Infrastructure	16,396,896	16,462,407	6,759	6,759	16,403,655	16,469,166
Intangibles	87,327	97,376	-	-	87,327	97,376
Right to use equipment	2,623,066	2,271,636	522,949	329,722	3,146,015	2,601,358
Right to use building	315,479	330,442	-	-	315,479	330,442
SBITA	243,229	285,313	581,683	669,892	824,912	955,205
Construction in progress	1,753,079	2,767,992	2,303,367	1,643,447	4,056,446	4,411,439
Total capital assets	$ 57,755,230	$ 58,622,860	$ 15,560,035	$ 14,867,758	$ 73,315,265	$ 73,490,618

Additional information on the City's capital assets can be found in Note E on pages 42-43 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds outstanding of $41,659,000. Of this amount, $35,224,000 is tax-supported debt. The remainder of the City of Highland Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

TABLE 4

CITY OF HIGHLAND VILLAGE'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligations	$ 12,120,000	$ 13,520,000	$ 4,175,000	$ 4,795,000	$ 16,295,000	$ 18,315,000
Combination tax and revenue certificates of obligation	20,770,000	13,890,000	2,260,000	2,395,000	23,030,000	16,285,000
Tax notes	2,334,000	2,805,000	-	-	2,334,000	2,805,000
	$ 35,224,000	$ 30,215,000	$ 6,435,000	$ 7,190,000	$ 41,659,000	$ 37,405,000

The City's total debt increased by $4,254,000 during the current fiscal year. A key factor in this increase is the issuance of Certificates of Obligation of $7,130,000, netted with debt payments of $2,876,000.

The City's tax supported debt is rated "AAA" by Standards & Poor's. The current ratio of tax-supported debt to assessed value of all taxable property is 1.04 percent.

Additional information on the City's outstanding debt can be found in Note G and H on page 44-48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2025-2026 budget was adopted by ordinance on September 16, 2025. The following summarizes the significant factors that were considered in adopting the budget.

General fund revenues are budgeted to increase by 0.2% over the FY 2025 budget with property taxes making up 65% of the general fund budgeted revenues. The property tax taxable values increased by 4.2%. Council approved the voter approved tax rate of $.500984 per $100 valuation, an increase from the previous $0.500273 tax rate. The updated tax rate comprises $0.422397 apportioned to maintenance and operation expenses and $0.078587 apportioned to pay interest and principal maturities on outstanding debt. Sales tax represents 17% of the budget general fund revenues. Sales tax collections are expected to decrease 7.8% over the FY 2025 budgeted amount.

General fund expenditures are budgeted to increase by 5.8% over the FY 2025 original budget.

- Personnel costs represent the largest component of general fund expenditures at 67%. These costs are budgeted to increase by $955,583 (6%)**,** driven by:
    - A 3.5% salary adjustment to remain competitive in the labor market.
    - Increased health insurance premiums.
    - Salary adjustments due to employee turnover.
    - Addition of one part-time Recreation position to support growing program demand.
- Supplies and services expenditures account for 28% of general fund expenditures and are budgeted to remain relatively flat, decreasing by $7,150 or 0.1%. Key changes include:
    - A reduction in professional services of $91,253 – engagement of a structural engineer in FY 2025 to assess the foundation of City facilities, costing $70,000.
    - Supplies and equipment will increase $38,758 – largely attributed to supplement requests to fund rifle-rated ballistic shields ($18,418), wildland fire gear ($27,231), and brush removal at Village Park ($72,000).
    - Other expenditures will increase $60,438. The significant factors for this increase include:
        - Concrete panels purchases budgeted in FY 2025, delayed to FY 2026 ($100,000)
        - Additional recreation program – Teen Bonfire ($10,000)
        - Public safety Blue Voice AI program ($6,000).
    - Capital outlay expenditures represent 5% of the budgeted general fund expenditures. Capital expenditures are budgeted at $1,307,522 - a $484,422 increase from the FY 2025 original budget. Major investments include:
        - Electrical upgrades and replacement of a generator at City Hall ($750,000)
        - Core storage replacement ($140,000)
        - Two workman vehicles ($56,700)
        - Street sander ($21,000)
        - Copier ($9,700)
        - Supplemental requests totaling $330,122 include a pothole truck ($234,654), outdoor warning sirens ($85,847), and fitness equipment ($9,621),

Water sales are budgeted at $6,590,410, representing a 6.5% increase over the FY 2025 budget. Projections are based on normalized usage determined by the past several years' history – applied to the projected home count. Wastewater sales are budgeted at $4,332,213, representing a 3.4% decrease from FY 2025.

Water and wastewater expenses are budgeted at $10,728,930 representing a $703,122 or 7% increase compared to FY 2025 budget. Various elements accounted for the increase:

- Personnel increased $179,047 resulting in 3.5% overall salary adjustments and increased health insurance premium costs.
- UTRWD Charges (Volume / Demand costs for purchase of wholesale water and processing of sanitary sewer) increased by $252,374.
- System maintenance increased $357,669, primarily for water storage tank painting.
- Capital decreased $66,000. The purchase of a John Deere gator ($18,000) was appropriated in the FY 2026 budget.

Information on commitments and contingencies is detailed in Note K on pages 54-55 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Highland Village, Finance Department, 1000 Highland Village Road, Highland Village, TX, 75077.

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BASIC
FINANCIAL STATEMENTS

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 36,957,717	$ 5,742,374	$ 42,700,091
Receivables (net of allowances for uncollectibles)			
Taxes	1,508,706	-	1,508,706
Accounts	328,832	1,791,742	2,120,574
Leases	2,531,471	-	2,531,471
Other	15,686	4,557	20,243
Due from other governments	-	-	-
Inventories and prepaid items	74,231	365,912	440,143
Restricted cash and investments:			
Reserved bond debt service	-	573,032	573,032
Construction	-	1,131,003	1,131,003
Customer deposits	-	97,530	97,530
Capital assets:			
Nondepreciable	18,936,927	2,379,080	21,316,007
Depreciable, net	38,818,303	13,180,955	51,999,258
Total capital assets	57,755,230	15,560,035	73,315,265
Total assets	99,171,873	25,266,185	124,438,058
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	133,423	32,862	166,285
Related to pensions	1,253,845	141,796	1,395,641
Related to OPEB	42,038	4,754	46,792
Total deferred outflows of resources	1,429,306	179,412	1,608,718

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	$ 1,768,787	$ 1,572,461	$ 3,341,248
Accrued liabilities	709,134	126,722	835,856
Retainage payable	-	62,646	62,646
Unearned revenue	69,437	-	69,437
Accrued interest	116,153	52,531	168,684
Customer deposits	-	97,530	97,530
Noncurrent liabilities:			
Due within one year:			
Other long-term liabilities	1,133,901	98,755	1,232,656
Long-term debt	3,059,150	1,039,518	4,098,668
Total OPEB liability	7,839	887	8,726
Due in more than one year:			
Other long-term liabilities	476,187	224,497	700,684
Arbitrage liability	1,037,684	-	1,037,684
Long-term debt	37,744,267	6,933,370	44,677,637
Net pension liability	2,989,985	338,137	3,328,122
Total OPEB liability	348,629	39,426	388,055
Total liabilities	49,461,153	10,586,480	60,047,633
DEFERRED INFLOWS OF RESOURCES			
Related to leases	2,352,992	-	2,352,992
Deferred gain on refunding	-	6,711	6,711
Related to pensions	857,779	97,006	954,785
Related to OPEB	133,478	15,095	148,573
Total deferred inflows of resources	3,344,249	118,812	3,463,061
NET POSITION			
Net investment in capital assets	37,124,862	7,103,088	44,227,950
Restricted for:			
Debt service	26,348	573,032	599,380
Community development	2,465,779	-	2,465,779
Public safety	133,619	-	133,619
Utility drainage	86,175	-	86,175
Public broadcasting	194,294	-	194,294
Capital projects	-	1,131,003	1,131,003
Park development and maintenance	966,170	-	966,170
Unrestricted	6,798,530	5,933,182	12,731,712
Total net position	$ 47,795,777	$ 14,740,305	$ 62,536,082

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 6,304,516	$ 373,314	$ 15,801	$ -
Public safety	10,790,272	872,325	60,457	-
Community services	442,109	318,534	-	-
Streets and drainage	3,771,368	614,346	-	-
Parks and recreation	6,280,036	730,600	-	3,000
Interest on long-term debt	1,072,109	-	-	-
Total governmental activities	28,660,410	2,909,119	76,258	3,000
Business-type activities:				
Water and wastewater	10,434,045	10,175,801	-	25,803
Total business-type activities	10,434,045	10,175,801	-	25,803
Total primary government	$ 39,094,455	$ 13,084,920	$ 76,258	$ 28,803

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Franchise
Sales
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

Restatement - change in accounting principle

Net position - beginning, restated

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (5,915,401)	$ -	$ (5,915,401)
(9,857,490)	-	(9,857,490)
(123,575)	-	(123,575)
(3,157,022)	-	(3,157,022)
(5,546,436)	-	(5,546,436)
(1,072,109)	-	(1,072,109)
(25,672,033)	-	(25,672,033)
-	(232,441)	(232,441)
-	(232,441)	(232,441)
(25,672,033)	(232,441)	(25,904,474)
14,202,669	-	14,202,669
2,528,060	-	2,528,060
1,581,520	-	1,581,520
5,629,296	-	5,629,296
1,110,293	361,104	1,471,397
465,569	-	465,569
470,000	(470,000)	-
25,987,407	(108,896)	25,878,511
315,374	(341,337)	(25,963)
48,032,013	15,240,569	63,272,582
(551,610)	(158,927)	(710,537)
47,480,403	15,081,642	62,562,045
$ 47,795,777	$ 14,740,305	$ 62,536,082

CITY OF HIGHLAND VILLAGE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General	Capital Projects
ASSETS		
Cash and investments	$ 12,318,575	$ 20,572,582
Receivables, net		
Taxes	1,188,970	-
Accounts	328,832	-
Leases	2,531,471	-
Other	-	-
Due from other governments	-	-
Prepaid items	21,006	-
Inventories	26,446	-
Total assets	16,415,300	20,572,582
LIABILITIES		
Accounts payable	1,030,635	498,772
Accrued liabilities	660,957	-
Unearned revenue	11,890	-
Total liabilities	1,703,482	498,772
DEFERRED INFLOWS OF RESOURCES		
Related to leases	2,352,992	-
Unavailable revenue:		
Property taxes	188,125	-
Municipal court fines	94,143	-
Ambulance	150,311	-
Grants	-	-
Total deferred inflows of resources	2,785,571	-
FUND BALANCES		
Nonspendable:		
Prepaid items	21,006	-
Inventories	26,446	-
Restricted for:		
Debt service	-	-
Public parks, recreation, and related projects	-	-
Public safety - law enforcement operations	-	-
Utility drainage operations	-	-
Capital projects	-	20,073,810
Public broadcasting	-	-
Park development and maintenance	-	-
Committed - park development and maintenance	-	-
Assigned for:		
Subsequent year's budget - appropriation of fund balance	2,609,126	-
Finance - professional services	40,500	-
Information services - professional services	105,284	-
Public safety - police - services and supplies	3,067	-
Streets - maintenance and professional services	229,394	-
Maintenance - fleet and building maintenance	222,410	-
Parks - maintenance and supplies	16,978	-
Recreation - services	30,088	-
Unassigned	8,621,948	-
Total fund balances	11,926,247	20,073,810
Total liabilities, deferred inflows of resources, and fund balances	$ 16,415,300	$ 20,572,582

The accompanying notes are an integral part of these financial statements.

Other Governmental	Total Governmental Funds
$ 4,066,560	$ 36,957,717
319,736	1,508,706
-	328,832
-	2,531,471
15,686	15,686
-	-
-	21,006
26,779	53,225
4,428,761	41,416,643
239,380	1,768,787
48,177	709,134
57,547	69,437
345,104	2,547,358
-	2,352,992
32,352	220,477
-	94,143
-	150,311
-	-
32,352	2,817,923
-	21,006
-	26,446
110,149	110,149
2,465,779	2,465,779
133,619	133,619
86,175	86,175
-	20,073,810
194,294	194,294
966,170	966,170
95,119	95,119
-	2,609,126
-	40,500
-	105,284
-	3,067
-	229,394
-	222,410
-	16,978
-	30,088
-	8,621,948
4,051,305	36,051,362
$ 4,428,761	$ 41,416,643

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CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

Total fund balance, governmental funds		$ 36,051,362
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		57,755,230
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		
Property taxes	$ 220,477	
Ambulance fees	150,311	
Court fines	94,143	
		464,931
Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and are therefore not reported in the funds. Also, the loss on refunding of bonds and premium on issuance of bonds are not included in the funds. The details of these differences are as follows:		
Bonds payable	(32,890,000)	
Tax notes	(2,334,000)	
Leases	(2,823,702)	
SBITA's	(204,345)	
Deferred amount on refunding	133,423	
Issuance premium	(2,551,370)	
Arbitrage	(1,037,684)	
Accrued interest	(116,153)	
Compensated absences	(1,610,088)	
		(43,433,919)
Included in the items related to long-term liabilities is the recognition of the City's net pension liability and deferred outflow and inflow of resources related to pensions.		
Deferred outflow related to pensions	1,253,845	
Deferred inflow related to pensions	(857,779)	
Deferred outflow related to post employment benefits	42,038	
Deferred inflow related to post employment benefits	(133,478)	
Total OPEB liability	(356,468)	
Net pension liability	(2,989,985)	
		(3,041,827)
Net position of governmental activities in the statement of net position		$ 47,795,777

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Capital Projects
REVENUES		
Taxes	$ 19,584,953	$ -
Fines and forfeitures	135,764	-
Licenses, permits and fees	690,292	-
Intergovernmental	24,864	-
Charges for services	859,049	-
Investment earnings	661,178	639,817
Miscellaneous	145,105	-
Total revenues	22,101,205	639,817
EXPENDITURES		
Current:		
General government:		
City manager	614,007	-
Finance	1,508,166	-
Marketing and communication	505,865	-
Human resources	540,100	-
City secretary	375,841	-
Maintenance	1,514,299	-
Information services	1,320,282	-
Public safety:		
Police	6,148,579	-
Fire	3,905,086	-
Community services	432,396	-
Streets and drainage	1,644,497	45,820
Parks and recreation	2,887,375	-
Debt service:		
Principal	677,093	-
Interest and other	141,897	169,065
Capital outlay	1,420,927	2,085,402
Total expenditures	23,636,410	2,300,287
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,535,205)	(1,660,470)
OTHER FINANCING SOURCES (USES)		
Transfers in	533,202	-
Transfers out	(16,000)	-
Issuance of bonds	-	7,130,000
Premium on issuance of bonds	-	116,047
Issuance of leases	847,675	-
Issuance of SBITA's	85,921	-
Sale of capital assets	363,612	-
Total other financing sources and uses	1,814,410	7,246,047
NET CHANGE IN FUND BALANCES	279,205	5,585,577
FUND BALANCES, BEGINNING	11,647,042	14,488,233
FUND BALANCES, ENDING	$ 11,926,247	$ 20,073,810

The accompanying notes are an integral part of these financial statements.

Other Governmental	Total Governmental Funds
$ 4,344,386	$ 23,929,339
-	135,764
1,195,336	1,885,628
54,394	79,258
-	859,049
168,505	1,469,500
-	145,105
5,762,621	28,503,643
-	614,007
7,081	1,515,247
-	505,865
-	540,100
-	375,841
-	1,514,299
-	1,320,282
51,790	6,200,369
2,277	3,907,363
-	432,396
642,593	2,332,910
1,658,776	4,546,151
2,121,000	2,798,093
965,755	1,276,717
56,625	3,562,954
5,505,897	31,442,594
256,724	(2,938,951)
552,025	1,085,227
(599,227)	(615,227)
-	7,130,000
-	116,047
-	847,675
-	85,921
-	363,612
(47,202)	9,013,255
209,522	6,074,304
3,841,783	29,977,058
$ 4,051,305	$ 36,051,362

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CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds:		$ 6,074,304
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives as depreciation expense.		
Capital outlay	$ 3,436,751	
Retainage payable related to capital outlay	138,903	
Depreciation expense	(4,261,233)	
		(685,579)
In the statements of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed.		(43,148)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:		
Property taxes	12,206	
Ambulance fees	(10,035)	
Court fines	38,713	
		40,884
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while issuing debt increases long-term liabilities in the statement of net position. The repayment of the principal portion of bonds, leases and tax notes is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Issuance of bonds	(7,246,047)	
Issuance of leases	(847,675)	
Issuance of SBITA's	(85,921)	
Payments on bonds	2,121,000	
Payments on leases	557,441	
Payments on SBITA's	119,652	
		(5,381,550)
Certain pension and other postemployment benefits expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and other post employment benefits liability were amortized.		262,636
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	202,426	
Arbitrage	(359,207)	
Accrued interest	(765)	
Amortization of deferred loss of refunding bonds	(14,555)	
Amortization of premium on bond issuances	219,928	
		47,827
Change in net position of governmental activities		$ 315,374

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2025
(With Comparative Totals as of September 30, 2024)

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,742,374	$ 6,559,526
Accounts receivable, net	1,791,742	1,947,812
Other receivables	4,557	4,557
Inventories	361,347	305,965
Prepaid items	4,565	4,565
Restricted cash and investments:		
Reserve bond debt service	573,032	564,369
Construction	1,131,003	1,204,329
Customer deposits	97,530	90,770
Total current assets	9,706,150	10,681,893
Non-current assets:		
Capital assets:		
Nondepreciable capital assets	2,379,080	1,719,160
Depreciable capital assets, net of accumulated depreciation	13,180,955	13,148,598
Total capital assets	15,560,035	14,867,758
Total non-current assets	15,560,035	14,867,758
Total assets	25,266,185	25,549,651
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	32,862	36,447
Related to pensions	141,796	260,580
Related to other postemployment benefits	4,754	7,437
Total deferred outflows of resources	179,412	304,464

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2025
(With Comparative Totals as of September 30, 2024)

	2025	2024
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,572,461	$ 802,832
Accrued expenses	126,722	113,103
Accrued interest	52,531	47,247
Retainage payable	62,646	50,360
Customer deposits	97,530	90,770
Current portion of long-term debt	1,039,518	806,992
Current portion of other long-term liabilities	98,755	274,736
Total OPEB Liability	887	1,171
Total current liabilities	3,051,050	2,187,211
Noncurrent liabilities:		
Net pension liability	338,137	541,339
Total OPEB liability	39,426	38,762
Noncurrent portion of long-term debt	6,933,370	6,929,338
Noncurrent portion of other long-term liabilities	224,497	848,184
Total noncurrent liabilities	7,535,430	8,357,623
Total liabilities	10,586,480	10,544,834
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	6,711	8,675
Related to pensions	97,006	42,008
Related to other postemployment benefits	15,095	18,029
Total deferred inflows of resources	118,812	68,712
NET POSITION		
Net investment in capital assets	7,103,088	6,023,518
Restricted for debt service	573,032	564,369
Restricted for capital projects	1,131,003	1,204,329
Unrestricted	5,933,182	7,448,353
Total net position	$ 14,740,305	$ 15,240,569

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CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025
(With Comparative Totals For the Year Ended September 30, 2024)

	2025	2024
REVENUES		
Charges for services	$ 10,175,801	$ 10,273,938
Total operating revenues	10,175,801	10,273,938
OPERATING EXPENSES		
Administration	565,890	500,632
Maintenance and operations	8,279,006	7,876,429
Depreciation	1,473,648	1,414,746
Total operating expenses	10,318,544	9,791,807
OPERATING INCOME (LOSS)	(142,743)	482,131
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	361,104	315,089
Gain on disposal of capital assets	129,175	42,389
Intergovernmental grant revenue	-	966,580
Interest expense	(244,676)	(244,924)
Total non-operating revenues (expenses)	245,603	1,079,134
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	102,860	1,561,265
Capital contributions - impact fees	25,803	9,507
Transfers out	(470,000)	(470,000)
CHANGE IN NET POSITION	(341,337)	1,100,772
TOTAL NET POSITION, BEGINNING	15,240,569	14,139,797
RESTATEMENT, CHANGE IN ACCOUNTING PRINCIPLE	(158,927)	-
TOTAL NET POSITION, BEGINNING, RESTATED	15,081,642	14,139,797
TOTAL NET POSITION, ENDING	$ 14,740,305	$ 15,240,569

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025
(With Comparative Totals For the Year Ended September 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 10,338,631	$ 10,412,374
Cash paid to suppliers for goods and services	(6,431,271)	(7,175,708)
Cash paid to employees for services	(1,944,938)	(1,498,367)
Net cash provided by operating activities	1,962,422	1,738,299
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(470,000)	(470,000)
Net cash provided (used) by noncapital financing activities	(470,000)	(470,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	129,175	42,389
Acquisition and construction of capital assets	(1,660,507)	(1,418,589)
Principal paid on bonds	(755,000)	(750,000)
Principal paid on leases	(104,990)	(48,918)
Principal paid on SBITA's	(86,135)	(83,411)
Capital contributions	25,803	9,507
Interest and other charges paid on debt	(276,927)	(294,306)
Net cash provided (used) by capital and related financing activities	(2,728,581)	(2,543,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	361,104	315,089
Net cash provided by investing activities	361,104	315,089
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(875,055)	(959,940)
CASH AND CASH EQUIVALENTS, BEGINNING	8,418,994	9,378,934
CASH AND CASH EQUIVALENTS, ENDING	$ 7,543,939	$ 8,418,994
(Including $5,742,374 and $1,801,565 reported as restricted cash and investments)		

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025
(With Comparative Totals For the Year Ended September 30, 2024)

	2025	2024
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$(142,743)	$ 482,131
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,473,648	1,414,746
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	156,070	142,486
Inventories	(55,382)	(72,792)
Deferred outflow related to pensions	118,784	261,028
Deferred outflow related to OPEB	2,683	2,167
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	534,343	(171,827)
Accrued liabilities	13,619	9,729
Customer deposits	6,760	(4,050)
Compensated absences	5,398	(16,437)
Other post employment benefits	380	902
Net pension liability	(203,202)	(335,250)
Deferred inflow related to pensions	54,998	31,773
Deferred inflow related to OPEB	(2,934)	(6,307)
Net cash provided by operating activities	$ 1,962,422	$ 1,738,299
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Equipment acquired through leases	$ 257,846	$ 300,545

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Highland Village adopted a Home Rule Charter in April 1985 and operates under a Council-Manager form of government. All powers of the City are vested in an elected Council, which enacts local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of seven members, a mayor and six Councilpersons elected by the City's residents.

The City's Annual Comprehensive Financial Report presents the financial position, changes in financial position and cash flows where applicable of the City. The reporting entity is the primary government and those component units for which the primary government is financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

City of Highland Village voters, in November 2004, approved, in a special election, the creation of the Highland Village Community Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation, and projects from revenues derived from a one-half cent sales tax within the City of Highland Village. The City Council appoints a board and board members are removable by the City Council, for cause or at will. Four out of seven board members are on City Council. In the event of dissolution title of all the assets transfer to the City. The operational responsibility of the Community Development Corporation is managed essentially the same manner as other City programs and activities. The Community Development Corporation is reported as a Special Revenue Fund. Financial statement information can be obtained by contacting the Highland Village Community Development Corporation, 1000 Highland Village Rd., Highland Village, Texas 75077.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the operating fund of the City. It is utilized to account for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

The City reports the following major proprietary fund:

Enterprise – Water and Wastewater Fund – is used to account for the water and wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include administration, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

Cash and Investments

For the purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less.

Investments in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current traction between willing parties.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade receivables are shown net of allowance for uncollectible accounts based on an analysis of historical trends.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is 60 days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

Unbilled Services

Utility operating revenues (water, sewer and refuse collection) are billed on monthly cycles. Customers are billed for periods ending the 15th of each month on the last day of the month. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "reserve bond debt service" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "construction funds" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

Impact fees collected from developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development are set aside in the "capital improvements" account.

Deposits collected from utility customers are set aside until repayment.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets within an initial, individual cost threshold by asset class and an estimated useful life in excess of four years. Such assets are recorded at historical cost or an estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation expense is calculated principally on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives and capitalization thresholds of capital asset classes are as follows:

Capital Asset Class	Capitalization Threshold	Useful Life (Years)
Land	$ 50,000	Indefinite
Infrastructure	250,000	20
Buildings and Improvements	100,000	30
Land Improvements	50,000	20
Machinery and equipment	5,000	5 - 10
Intangibles	5,000	5 - 10
Right to use equipment	5,000	5 - 10
Right to use building	5,000	30
Right to use software	5,000	2 - 5

Accrued Vacation and Sick Leave

It is the City's policy to grant employees vacation leave earned at the rate of 10 days a year for at least one but less than 5 years continuous service, 15 days for at least 5 but less than 10 years continuous service, and 20 days for at least 10 years continuous service. Upon termination, the employee shall be paid at the hourly rate of pay such employee was earning on the effective date of termination.

The City also grants employees sick leave earned at the rate of 12 days a year. Upon termination, employees are paid for one-half of the actual number of days earned up to a maximum of 45 days.

The City recognizes a liability for leave that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled. Based on historical experience and management's evaluation, a portion of accumulated leave is considered more likely than not to be used or paid; therefore, a liability for such leave (including applicable payroll-related costs) has been recorded.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

The City has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The City is a lessee for noncancellable leases of equipment and buildings. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor. The City is a lessor in an arrangement allowing the placement of cellular towers on City property. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

Subscription-Based Information Technology Arrangements

The City is a lessee for subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a SBITA, the City initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.

- The agreement term includes the noncancellable period of the SBITA.

- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long- term debt on the statement of net position.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the pension and other post-employment benefit liability – these effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, municipal court fines, ambulance, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has several types of these items that are recorded under the full accrual basis of accounting as follows:

- Deferred loss on refunding – This results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by Ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of debt related to capital assets and accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data and Reclassifications

Comparative total data for the prior year is presented only for the Enterprise Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Change in Accounting Principle

During fiscal year 2025, the City adopted GASB Statement No. 101, *Compensated Absences*. This statement enhances the relevance of financial reporting by refining the recognition and measurement guidance for compensated absences under a unified approach and updating related disclosure requirements. The cumulative effect of implementing this standard resulted in a restatement of beginning net position as of September 30, 2025, decreasing governmental activities by $551,610 and business-type activities by $158,927.

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits and investments are made in accordance with the provisions of the bank depository agreement or in any negotiable instrument the Council has authorized under the City's approved investment policy and the provisions of the Public Funds Investment Act of 1987, as amended.

Investments held at year-end are as follows:

	Carrying Value	Weighted Average Maturity (Days)
TexPool	$ 9,319,181	42
TexStar	13,388,428	50
Total investments	$ 22,707,609	

Cash and investments are reported as restricted assets as required by debt issues and City ordinance. The monies in government investment pools represent investments in TexPool and TexStar, investment pools for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), and TexPool, through which political subdivisions and other entities may invest public funds.

J.P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

TexPool and TexStar have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Both TexPool and TexStar are rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments are with TexPool and TexStar with maturities of less than one year.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investment pools' policies require a rating of AA or better from a nationally recognized rating agency.

Concentration of Credit Risk. The City's investments are issued or explicitly guaranteed by external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times. The City's cash deposits in the bank on September 30, 2025, were covered by federal depository insurance or by collateral held by the City's agent in the City's name.

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor governmental funds, including the applicable allowance for estimated uncollectible accounts, are as follows:

	General	Capital Projects	Nonmajor Governmental	Enterprise	Total
Receivables:					
Taxes	$ 1,188,970	$ -	$ 319,736	$ -	$ 1,508,706
Accounts	956,958	-	-	1,293,894	2,250,852
Unbilled accounts	-	-	-	569,009	569,009
Leases	2,531,471		-	-	2,531,471
Other	-	-	15,686	4,557	20,243
Gross receivables	4,677,399	-	335,422	1,867,460	6,880,281
Less: allowance for uncollectibles	(628,126)	-	-	(71,161)	(699,287)
Net total receivables	$ 4,049,273	$ -	$ 335,422	$ 1,796,299	$ 6,180,994

Lease Receivable

In prior years, the City entered into multiple leases as lessor for the placement of cellular antennas on City property and use of City land by multiple telecommunications companies. The lessees are required to make annual payments ranging from $36,215 to $40,858 for the antenna facilities, and monthly payments ranging from $2,150 to $2,624 for the use of land.

A summary of the City's lease receivables as of September 30, 2025, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Receivable	Interest Current Year	Reductions Current Year	Amounts Receivable 9/30/25
Right to Use:						
Antenna facilities	.74%-.99%	2007	$ 479,598	$ 3,833	$ 74,623	$ 193,995
Land	1.24%-1.72%	2018	2,516,813	42,984	49,055	2,337,476
Totals				$ 46,817	$ 123,678	$ 2,531,471

C. Unearned Revenue

Unearned revenue generally relates to cash received in advance of performance obligations being completed by the City. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

General fund:	
Franchise taxes	$ 6,692
Park fees	5,198
Total general fund	11,890
Nonmajor governmental fund:	
Parks fees	57,547
Total nonmajor governmental fund	57,547
Total governmental funds	$ 69,437

D. Interfund Transfers

The following is a summary of transfers for the current fiscal year:

	Transfers in		
Transfers out	General	Nonmajor Governmental	Total
General	$ -	$ 16,000	$ 16,000
Nonmajor governmental	63,202	536,025	599,227
Water and wastewater	470,000	-	470,000
	$ 533,202	$ 552,025	$ 1,085,227

The purpose of transfers is as follows:

- The transfer from the General Fund to the Nonmajor Governmental Funds was for a drainage fee associated with impermeable square footage of public buildings.
- The transfer between the Nonmajor Governmental Funds represents debt service payments made on behalf of the HVCDC into the Debt Service Fund.
- The transfer from Nonmajor Governmental Fund to the General Fund is for support services.
- The transfer from the Water and Wastewater Fund to the General Fund represents a payment in lieu of taxes.

E. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 17,183,848	$ -	$ -	$ 17,183,848
Construction in progress	2,767,992	728,230	(1,743,143)	1,753,079
Total assets not being depreciated	19,951,840	728,230	(1,743,143)	18,936,927
Capital assets, being depreciated:				
Land improvements	28,851,308	77,582	739,908	29,668,798
Buildings and improvements	16,109,709	-	-	16,109,709
Equipment	10,264,905	1,514,097	(959,123)	10,819,879
Infrastructure	47,374,952	-	1,003,236	48,378,188
Intangibles	638,179	-	-	638,179
Right to use equipment	2,867,653	1,030,921	(9,237)	3,889,337
Right to use building	365,356	-	-	365,356
SBITA	539,393	85,921	(93,994)	531,320
Total capital assets being depreciated	107,011,455	2,708,521	680,790	110,400,766
Less accumulated depreciation:				
Land improvements	15,094,577	1,322,356	-	16,416,933
Buildings and improvements	12,460,176	511,614	-	12,971,790
Equipment	8,447,323	526,008	(915,974)	8,057,357
Infrastructure	30,912,545	1,068,747	-	31,981,292
Intangibles	540,803	10,049	-	550,852
Right to use equipment	596,017	679,491	(9,237)	1,266,271
Right to use building	34,914	14,963	-	49,877
SBITA	254,080	128,005	(93,994)	288,091
Total accumulated depreciation	68,340,435	4,261,233	(1,019,205)	71,582,463
Total capital assets being depreciated, net	38,671,020	(1,552,712)	1,699,995	38,818,303
Governmental activities capital assets, net	$ 58,622,860	$ (824,482)	$ (43,148)	$ 57,755,230

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 75,713	$ -	$ -	$ 75,713
Construction in progress	1,643,447	1,773,084	(1,113,164)	2,303,367
Total assets not being depreciated	1,719,160	1,773,084	(1,113,164)	2,379,080
Capital assets, being depreciated:				
Buildings	1,469,618	-	-	1,469,618
Improvements other than buildings	37,975,566	-	1,113,164	39,088,730
Equipment	2,286,571	56,665	(275,352)	2,067,884
Infrastructure	617,553	-	-	617,553
Intangibles	81,737	-	-	81,737
Right to use equipment	388,019	336,176	-	724,195
SBITA	846,310	-	-	846,310
Total capital assets being depreciated	43,665,374	392,841	837,812	44,896,027
Less accumulated depreciation:				
Buildings	967,438	71,921	-	1,039,359
Improvements other than buildings	26,923,204	1,081,072	-	28,004,276
Equipment	1,698,888	88,267	(275,352)	1,511,803
Infrastructure	610,794	1,230	-	612,024
Intangibles	81,737	-	-	81,737
Right to use equipment	58,297	142,949	-	201,246
SBITA	176,418	88,209	-	264,627
Total accumulated depreciation	30,516,776	1,473,648	(275,352)	31,715,072
Total capital assets being depreciated, net	13,148,598	(1,080,807)	1,113,164	13,180,955
Business-type activities capital assets, net	$ 14,867,758	$ 692,277	$ -	$ 15,560,035

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
City Manager	$ 991
Finance/Court	31,957
Human Resources	14,975
City Secretary	2,839
Information Services	90,860
Marketing and Communications	18,404
Police	383,629
Fire	426,720
Community Services	18,242
Streets and Drainage	1,307,127
Maintenance	82,117
Utility Drainage	132,387
Park and recreation	1,750,985
Total depreciation expense - governmental activities	$ 4,261,233
Business-type activities:	
Water and wastewater	$ 1,473,648
Total depreciation expense - business-type activities	$ 1,473,648

F. Construction Commitments

The City has active construction projects as of September 30, 2025. At year-end the City's commitments with contractors are as follows:

Projects	Spent to Date	Remaining Commitment
Governmental activities:		
Street Reconstruction Highland Shores Blvd	$ 387,840	$ 415,160
2022 Street Improvements Phase III	94,948	17,210
Quail Cove / Walmart Detention / Retension	46,120	406,234
Highland Village Rd Reconstruction	132,920	94,580
Unity Park Detention / Retention	42,565	5,685
Pilot Knoll Improvements	222,238	90,617
Highland Shores Blvd Asphalt Overlay	659,348	16,943
Unity Park, Brazos Park, Tennis Center Improvements	178,169	10,331
Pilot Knoll Boat Ramp Improvements	55,498	9,847
Unity Park Basketball Court	5,681	230,746
Highland Shores Blvd. Underdrain	8,094	56,806
Business-type activities:		
12" Water Line Northwest of City	$ 113,251	$ 30,110
Lake Vista Well Lot and Facilities	164,216	41,884
Wastewater System Restoration Slope Protection	214,010	68,571
Sandero, Bexar, Victoria, Malibu, Wtr Lns	1,108,562	6,725
Replace Force Mains WW Lift Stations 2 & 7	1,127,878	19,140
Gayle, Merriman, Oat Cedar Waterline	388,707	1,694,948
Brooks Ct & Pilot Knoll Park Waterlines	239,810	178,390
Copperas Branch Lake Lift Station	19,640	298,360

G. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are payable and pledged from the levy and collection of a direct and continuing annual ad valorem tax. General obligation bonds currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
GO refunding & improvement bonds	3.00 - 4.00	2018	2038	$ 6,905,000	$ 5,115,000
GO refunding & improvement bonds	3.00 - 5.00	2021	2034	10,300,000	7,005,000
Total governmental activities					12,120,000
Business-type activities:					
GO refunding bonds - Direct Placement	2.28	2017	2029	4,050,000	1,540,000
GO refunding & improvement bonds	3.00 - 5.00	2021	2034	2,915,000	2,635,000
Total business-type activities					4,175,000
Total general obligation bonds outstanding					$ 16,295,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2026	$ 1,465,000	$ 434,525	$ 240,000	$ 105,850
2027	1,535,000	366,125	255,000	93,475
2028	1,280,000	302,550	270,000	80,350
2029	970,000	253,300	275,000	66,725
2030	1,015,000	210,925	290,000	52,600
2031-2035	4,490,000	506,150	1,305,000	82,825
2036-2040	1,365,000	62,325	-	-
Total	$ 12,120,000	$ 2,135,900	$ 2,635,000	$ 481,825

General Obligation Bonds - Direct Placement

Year Ending	Business-type Activities	
September 30,	Principal	Interest
2026	$ 395,000	$ 30,542
2027	410,000	21,385
2028	420,000	11,944
2029	315,000	3,583
Total	$ 1,540,000	$ 67,454

Combination Tax and Revenue Certificates of Obligation (CO) Bonds

The City also issues bonds where the government pledges a combination of the levy and collection of a direct and continuing annual ad valorem tax plus a limited pledge ($2,500) of the net revenues from the Water and Sewer System to pay debt service. During the year, the City issued Series 2025 Combination Tax and Revenue Certificates of Obligation for $7,130,000, which bears interest of 4.00% to 5.00% and will be fully paid off by February 2045. Combination tax and revenue certificates of obligation have been issued for both governmental and business-type activities.

Combination tax and revenue certificates of obligation outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Combination tax and revenue CO's	2.00 - 4.00	2021	2041	$ 14,240,000	$ 13,640,000
Combination tax and revenue CO's	4.00 - 5.00	2025	2045	7,130,000	7,130,000
Total governmental activities					20,770,000
Business-type activities:					
Combination tax and revenue CO's	3.00 - 4.00	2018	2028	2,715,000	2,260,000
Total business-type activities					2,260,000
Total certificates of obligation outstanding					$ 23,030,000

Combination tax and revenue certificates of obligation debt service requirements to maturity are as follows:

Certificates of Obligation

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2026	$ 250,000	$ 637,478	$ 140,000	$ 69,856
2027	300,000	658,900	145,000	64,156
2028	630,000	639,900	150,000	58,256
2029	895,000	608,725	160,000	52,856
2030	930,000	571,250	165,000	47,981
2031-2035	5,185,000	2,289,375	900,000	161,531
2036-2040	5,895,000	1,563,700	600,000	28,316
2041-2045	6,685,000	676,100	-	-
Total	$ 20,770,000	$ 7,645,428	$ 2,260,000	$ 482,952

Tax Notes

The City issues tax notes bonds to provide short-term funds for the acquisition of various pieces of capital equipment. Tax notes currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Tax notes	3.42	2024	2031	2,805,000	2,334,000
Total governmental activities					$ 2,334,000

Tax note debt service requirements to maturity are as follows:

Tax Notes

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2026	$ 373,000	$ 73,445
2027	405,000	60,141
2028	507,000	44,546
2029	384,000	29,309
2030	390,000	16,074
2031	275,000	4,704
Total	$ 2,334,000	$ 228,218

Defeased Debt

The City defeased certain outstanding revenue bonds by placing proceeds of new bonds in irrevocable trust to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bond are not included in the City's financial statements. As of September 30, 2025, the City does not have bonds considered defeased and outstanding.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of September 30, 2025, a liability for arbitrage rebate existed in the amount of $1,037,684.

H. Changes in Long-term Debt

Long-term debt activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations	$ 13,520,000	$ -	$ 1,400,000	$ 12,120,000	$ 1,465,000
Combination tax and revenue CO	13,890,000	7,130,000	250,000	20,770,000	250,000
Issuance premium	2,655,251	116,047	219,928	2,551,370	219,928
Tax note	2,805,000	-	471,000	2,334,000	373,000
Total bonds payable	32,870,251	7,246,047	2,340,928	37,775,370	2,307,928
Compensated absences	1,812,514	-	202,427	1,610,087	1,133,901
Leases	2,533,468	847,674	557,439	2,823,703	662,032
SBITAs	238,076	85,921	119,652	204,345	89,190
Governmental activities long-term debt	$ 37,454,309	$ 8,179,642	$ 3,220,446	$ 42,413,505	$ 4,193,051

The General Fund has historically been used to liquidate the net pension liability and total OPEB liability related to governmental activities. Additions and reductions in compensated absences are presented on a net basis in the table above.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 4,795,000	$ -	$ 620,000	$ 4,175,000	$ 635,000
Combination tax and revenue CO	2,395,000	-	135,000	2,260,000	140,000
Issuance premium	546,330	-	51,992	494,338	51,992
Total bonds payable	7,736,330	-	806,992	6,929,338	826,992
Compensated absences	305,020	111,417	93,185	323,252	98,755
Leases	303,549	257,846	104,990	456,405	123,578
SBITAs	673,280	-	86,135	587,145	88,948
Business-type activities long-term debt	$ 9,018,179	$ 369,263	$ 1,091,302	$ 8,296,140	$ 1,138,273

Additionally, certain obligations that were marketed as direct placements have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

Lease Payable

During the current year, the City entered into multiple 48-month and 60-month leases as lessee both for the right to use of vehicles through Enterprise. The City is required to make fixed monthly payments ranging between $654 and $2,066.

A summary of the City's long-term lease payable as of September 30, 2025, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/25
Governmental Activities					
Multifunctional printers	0.29%	2022	$ 9,236	$ 1	$ -
Fire Department Medical Equipment	0.74%	2021	249,768	932	84,265
Camera	3.45%	2024	711,660	20,415	540,874
Animal Shelter Building	2.51%	2022	365,356	8,376	326,972
Vehicles	2.23-8.37%	2023	2,604,378	93,364	1,871,592
Totals				$ 123,088	$ 2,823,703
Business-type Activities					
Vehicles	2.27-8.28%	2023	$ 610,311	$ 45,326	$ 456,405
Totals				$ 45,326	$ 456,405

Annual lease payments to maturity are as follows:

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total Requirements
2026	$ 662,032	$ 134,027	$ 796,059
2027	765,520	96,060	861,580
2028	525,930	56,860	582,790
2029	329,929	30,244	360,173
2030	176,770	15,313	192,083
2031 - 2035	170,282	32,335	202,617
2036 - 2040	80,560	19,410	99,970
2041 - 2045	91,334	8,636	99,970
2046 - 2047	21,346	314	21,660
Totals	$ 2,823,703	$ 393,199	$ 3,216,902

Year Ending September 30,	Business-Type Activities Principal	Interest	Total Requirements
2026	$ 123,578	$ 29,491	$ 153,069
2027	138,644	20,133	158,777
2028	91,091	11,223	102,314
2029	72,697	4,830	77,527
2030	28,341	1,126	29,467
2031 - 2035	2,054	12	2,066
Totals	$ 456,405	$ 66,815	$ 523,220

SBITA Payable

During the fiscal year, the City paid for multiple subscriptions for the use of various software. As of September 30, 2025, the value of the subscription liability is $791,491. The City is required to make fixed annual payments ranging between $495 and $58,082 with interest rates ranging from 2.310% to 3.461%.

A summary of the City's long-term SBITA payable as of September 30, 2025, is as follows:

Purpose of SBITA	Interest Rate	Initial Year of SBITA	Amount of Initial SBITA Liability	Interest Current Year	Amounts Outstanding 9/30/25
Governmental Activities					
Right to Use:					
Various software	2.31%	2023	$ 583,313	$ 7,254	$ 204,345
Totals				$ 7,254	$ 204,345
Business-Type Activities					
Right to Use:					
Meter reading software	3.46%	2023	$ 846,310	$ 22,410	$ 587,145
Totals				$ 22,410	$ 587,145

Annual SBITA payments to maturity are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total Requirements	Business-Type Activities Principal	Interest	Total Requirements
2026	$ 89,190	$ 5,873	$ 95,063	$ 88,948	$ 19,596	$ 108,544
2027	91,725	3,337	95,062	91,854	16,691	108,545
2028	11,536	728	12,264	94,854	13,690	108,544
2029	11,894	370	12,264	97,953	10,591	108,544
2030	-	-	-	50,691	7,390	58,081
2031-2034	-	-	-	162,845	11,400	174,245
Totals	$ 204,345	$ 10,308	$ 214,653	$ 587,145	$ 79,358	$ 666,503

I. Retirement Plan – TMRS Pension

Plan Descriptions. The City participates as one of 942 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Member Contribution Rate	7%
Matching ratio (City to member)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credit	100% repeating transfers
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms. At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	111
Inactive employees entitled to but not yet receiving benefits	152
Active employees	155
	418

Contributions. Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.42% and 14.93% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the years ended September 30, 2024, and September 30, 2025, were $1,691,932 and $1,897,627, respectively, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability was measured as of December 31, 2024, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The Total Pension Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disable annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disables. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018, to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100.0%	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	$ 63,154,643	$ 57,821,250	$ 5,333,393
Changes for the year:			
Service cost	2,329,915	-	2,329,915
Interest	4,281,017	-	4,281,017
Difference between expected and actual experience	117	-	117
Changes in assumptions	-	-	-
Contributions - employer	-	1,764,369	(1,764,369)
Contributions - employee	-	872,832	(872,832)
Net investment income	-	6,018,551	(6,018,551)
Benefit payments, including refunds of employee contributions	(1,794,261)	(1,794,261)	-
Administrative expense	-	(38,531)	38,531
Other changes	-	(901)	901
Net changes	4,816,788	6,822,059	(2,005,271)
Balance at 12/31/2024	$ 67,971,431	$ 64,643,309	$ 3,328,122

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 13,383,567	$ 3,328,122	$(4,870,999)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2025, the City recognized pension expense of $1,670,750. As of September 30, 2025, the City reported deferred outflows and inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 81	$ 68,187
Changes in actuarial assumptions	-	179,008
Difference between projected and actual investment earnings	-	707,590
Contributions subsequent to the measurement date	1,395,560	-
Totals	$ 1,395,641	$ 954,785

$1,395,560 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2026	$ (138,411)
2027	526,187
2028	(919,356)
2029	(423,123)

J. Defined Other Post-Employment Benefit Plan – TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, there are no assets accumulated in an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	24
Active employees	155
Total	242

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.27% for 2024 and 0.25% for 2025, of which 0.07% and 0.08%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2024, and September 30, 2025, were $9,285 and $10,089, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability. The City's total OPEB liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The Total OPEB Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Salary increases	3.60% to 11.85% including inflation
Discount rate	4.08%
Retirees' share of benefit-related costs	$0

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases are based on a service-related table. Mortality rates for active members are based on 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 4.08% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but later than December 31, 2024.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.08%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB Liability	$ 472,554	$ 396,781	$ 336,977

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	$ 393,425
Changes for the year:	
Service cost	21,192
Interest	15,067
Difference between expected and actual experience	(2,581)
Changes of assumptions	(21,596)
Benefit payments	(8,726)
Net changes	3,356
Balance at 12/31/2024	$ 396,781

Changes in assumptions and other inputs reflect a change in the discount rate from 3.77% to 4.08%.

OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2025, the City recognized OPEB expense of $11,179. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

As of September 30, 2025, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 35,928
Changes in actuarial assumptions	39,187	112,645
Contributions subsequent to the measurement date	7,605	-
Totals	$ 46,792	$ 148,573

$7,605 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2026. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2026	$ (27,024)
2027	(38,164)
2028	(39,041)
2029	(1,750)
2030	(3,406)

K. Commitments and Contingencies

Upper Trinity Regional Water District ("UTRWD")

The City of Highland Village entered into a contract with the Upper Trinity Regional Water District Lakeview Regional Water Reclamation System (sewer plant), in June 1995, to meet its long-term wastewater treatment needs. The UTRWD has issued a series of bonds to provide for capital funding for the expansion and refurbishment of the Lakeview Sewer Plant and to construct the regional sewer system with all of the said bonds to be payable from and secured by annual payments made by participating members. In the fiscal year 2025, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City paid fixed operations and maintenance costs of $473,900/MGD, $445,335 for joint facilities, and $204,870 for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.37/1,000 gallons.

In the fiscal year 2025, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.56/1,000 gallons, with an annual demand charge of $539,435/MGD.

For the fiscal year 2026, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City is committed to paying fixed operations and maintenance costs of $490,300/MGD, facility charges of $466,425 for joint facilities, and $204,970 annually for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.40/1,000 gallons.

In the fiscal year 2026, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.72/1,000 gallons, with an annual demand charge of $557,765/MGD.

Encumbrances and Assignments of Fund Balance

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. At year-end, the amount of encumbrances expected to be honored in the next year were as follows:

Fund	Amount
General	$ 647,721
Other governmental	1,918,132
Total	$ 2,565,853

Additionally, in accordance with budgetary policy, the City's adopted budget for the fiscal year beginning October 1, 2025, is presented as a balanced budget, i.e., revenues and available resources equal appropriations. These appropriations exceeded estimated revenues by $2,609,126, which is presented as assigned fund balance for subsequent year's budget in the General Fund.

Lawsuits

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability and property coverage is insured by the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool. The City's only responsibility to the Fund is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

L. New Accounting Guidance

Significant new accounting standards and guidance issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 20,300,390	$ 20,300,390	$ 19,584,953	$ (715,437)
Fines and forfeitures	132,600	132,600	135,764	3,164
Licenses, permits and fees	669,338	669,338	690,292	20,954
Intergovernmental	-	-	24,864	24,864
Charges for services	820,344	820,344	859,049	38,705
Investment earnings	935,788	935,788	661,178	(274,610)
Miscellaneous	80,000	80,000	145,105	65,105
Total revenues	22,938,460	22,938,460	22,101,205	(837,255)
EXPENDITURES				
Current:				
General government:				
City manager:				
Personnel	471,597	471,597	467,265	4,332
Services and supplies	185,363	185,363	146,742	38,621
Total city manager	656,960	656,960	614,007	42,953
Finance:				
Personnel	1,011,174	986,174	951,392	34,782
Services and supplies	570,239	572,239	556,774	15,465
Capital outlay	-	-	-	-
Total finance	1,581,413	1,558,413	1,508,166	50,247
Marketing and communication:				
Personnel	376,737	389,237	389,536	(299)
Services and supplies	122,623	122,623	116,329	6,294
Capital outlay	-	-	-	-
Total marketing and communication	499,360	511,860	505,865	5,995
Human resources:				
Personnel	449,054	449,054	373,214	75,840
Services and supplies	215,906	215,906	166,886	49,020
Total human resources	664,960	664,960	540,100	124,860
City secretary:				
Personnel	316,290	316,290	254,566	61,724
Services and supplies	194,489	194,489	121,275	73,214
Total city secretary	510,779	510,779	375,841	134,938
Information services:				
Personnel	887,464	887,464	891,555	(4,091)
Services and supplies	590,605	590,605	428,727	161,878
Capital outlay	-	-	85,921	(85,921)
Total information services	1,478,069	1,478,069	1,406,203	71,866
Maintenance:				
Personnel	475,180	475,180	438,867	36,313
Services and supplies	2,147,762	2,147,762	1,075,432	1,072,330
Capital outlay	615,000	-	-	-
Total maintenance	3,237,942	2,622,942	1,514,299	1,108,643

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Public safety:				
Police:				
Personnel	$ 5,829,367	$ 5,829,367	$ 5,650,553	$ 178,814
Services and supplies	698,189	698,189	498,026	200,163
Capital outlay	16,000	16,000	312,316	(296,316)
Total police	6,543,556	6,543,556	6,460,895	82,661
Fire:				
Personnel	3,553,893	3,543,893	3,492,342	51,551
Services and supplies	443,333	448,533	412,744	35,789
Capital outlay	25,000	35,000	34,184	816
Total fire	4,022,226	4,027,426	3,939,270	88,156
Community services:				
Personnel	414,945	414,945	396,663	18,282
Services and supplies	132,673	132,673	35,733	96,940
Total building operations	547,618	547,618	432,396	115,222
Streets and drainage:				
Personnel	923,026	923,026	895,480	27,546
Services and supplies	886,174	1,079,674	749,017	330,657
Capital outlay	21,000	140,500	402,732	(262,232)
Total streets and drainage	1,830,200	2,143,200	2,047,229	95,971
Parks and recreation:				
Personnel	1,855,642	1,869,142	1,836,251	32,891
Services and supplies	1,200,941	1,197,391	1,051,124	146,267
Capital outlay	146,100	146,100	585,774	(439,674)
Total parks and recreation	3,202,683	3,212,633	3,473,149	(260,516)
Debt service:				
Principal	-	-	677,093	(677,093)
Interest and other charges	-	-	141,897	(141,897)
Total debt service	-	-	818,990	(818,990)
Total expenditures	24,775,766	24,478,416	23,636,410	842,006
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,837,306)	(1,539,956)	(1,535,205)	4,751
OTHER FINANCING SOURCES (USES)				
Transfers in	534,000	534,000	533,202	(798)
Transfers out	(16,000)	(16,000)	(16,000)	-
Leases issued	-	-	847,675	847,675
SBITAs issued	-	-	85,921	85,921
Sale of capital assets	180,400	180,400	363,612	183,212
Total other financing sources and uses	698,400	698,400	1,814,410	1,116,010
NET CHANGE IN FUND BALANCE	(1,138,906)	(841,556)	279,205	1,120,761
FUND BALANCE, BEGINNING	11,647,042	11,647,042	11,647,042	-
FUND BALANCE, ENDING	$ 10,508,136	$ 10,805,486	$ 11,926,247	$ 1,120,761

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BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Special Revenue Funds and the Debt Service Fund. The Capital Project Funds are appropriated on a project-length basis, except for the Park Development Fund, which is appropriated annually.

The appropriated budget is prepared by fund, department and three categories – personnel, services and supplies, and capital outlay. During the fiscal year, each department is responsible to not exceed the amounts budgeted in each of the three categories. Transfers of appropriations between categories or departments require the approval of council. Category subtotals of departmental expenditures thus provide the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2025, expenditures exceed appropriation in the following fund, function, department and category:

Fund	Function/Department	Category	Amount
General	General Government - Marketing and Communication	Personnel	$ 299
General	General Government - Information Services	Personnel	4,091
General	General Government - Information Services	Capital Outlay	85,921
General	Public Safety - Police	Capital Outlay	296,316
General	Streets and Drainage	Capital Outlay	262,232
General	Parks and Recreation	Capital Outlay	439,674
General	Debt Service	Principal	677,093
General	Debt Service	Interest	141,897
Debt Service	Debt Service	Principal	30,000
Corps Leased Parks	Parks and Recreation	Personnel	5,658

The overage related to capital outlay, principal, and interest are related to the issuance of new leases and SBITA's, which required a noncash recognition of capital outlays and an other financing source. Other overages were covered by cost savings in other categories or with greater than anticipated revenues.

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	**2015**	**2016**	**2017**
A. Total pension liability			
Service Cost	$ 1,535,928	$ 1,646,661	$ 1,710,282
Interest (on the Total Pension Liability)	2,177,527	2,307,773	2,521,112
Difference between expected and actual experience	(226,332)	(95,490)	(173,461)
Changes of assumptions	196,596	-	-
Benefit payments, including refunds of employee contributions	(665,253)	(649,521)	(810,836)
Net change in total pension liability	3,018,466	3,209,423	3,247,097
Total pension liability - beginning	30,672,196	33,690,662	36,900,085
Total pension liability - ending (a)	$ 33,690,662	$ 36,900,085	$ 40,147,182
B. Plan fiduciary net position			
Contributions - employer	$ 1,187,926	$ 1,229,404	$ 1,325,468
Contributions - employee	625,694	651,959	680,226
Net investment income	39,833	1,903,485	4,336,041
Benefit payments, including refunds of employee contributions	(665,253)	(649,521)	(810,836)
Administrative expense	(24,263)	(21,492)	(22,461)
Other	(1,197)	(1,158)	(1,139)
Net change in plan fiduciary net position	1,162,740	3,112,677	5,507,299
Plan fiduciary net position - beginning	26,995,652	28,158,392	31,271,069
Plan fiduciary net position - ending (b)	$ 28,158,392	$ 31,271,069	$ 36,778,368
C. Net pension liability - ending (a) - (b)	$ 5,532,270	$ 5,629,016	$ 3,368,814
D. Plan fiduciary net position as a percentage of total pension liability	83.58%	84.75%	91.61%
E. Covered payroll	$ 8,940,209	$ 9,313,695	$ 9,717,511
F. Net position liability as a percentage of covered payroll	61.88%	60.44%	34.67%

2018	2019	2020	2021	2022	2023	2024
$ 1,767,329	$ 1,845,710	$ 1,952,526	$ 1,934,524	$ 1,994,564	$ 2,071,317	$ 2,329,915
2,735,944	2,960,334	3,238,362	3,485,265	3,747,427	4,014,081	4,281,017
(171,841)	352,042	(150,374)	85,730	(72,746)	(121,461)	117
-	89,119	-	-	-	(395,987)	-
(996,678)	(1,095,988)	(1,267,369)	(1,479,996)	(1,823,342)	(1,691,031)	(1,794,261)
3,334,754	4,151,217	3,773,145	4,025,523	3,845,903	3,876,919	4,816,788
40,147,182	43,481,936	47,633,153	51,406,298	55,431,821	59,277,724	63,154,643
$43,481,936	$47,633,153	$51,406,298	$55,431,821	$59,277,724	$63,154,643	$ 67,971,431
$ 1,367,635	$ 1,410,431	$ 1,491,855	$ 1,473,715	$ 1,548,337	$ 1,600,000	$ 1,764,369
706,528	739,552	784,597	760,768	784,820	814,546	872,832
(1,102,494)	5,684,242	3,300,738	6,229,854	(3,997,474)	5,937,130	6,018,551
(996,678)	(1,095,988)	(1,267,369)	(1,479,996)	(1,823,342)	(1,691,031)	(1,794,261)
(21,292)	(32,086)	(21,335)	(28,787)	(34,539)	(37,698)	(38,531)
(1,111)	(963)	(832)	196	41,216	(263)	(901)
(47,412)	6,705,188	4,287,654	6,955,750	(3,480,982)	6,622,684	6,822,059
36,778,368	36,730,956	43,436,144	47,723,798	54,679,548	51,198,566	57,821,250
$36,730,956	$43,436,144	$47,723,798	$54,679,548	$51,198,566	$57,821,250	$ 64,643,309
$ 6,750,980	$ 4,197,009	$ 3,682,500	$ 752,273	$ 8,079,158	$ 5,333,393	$ 3,328,122
84.47%	91.19%	92.84%	98.64%	86.37%	91.56%	95.10%
$10,093,257	$10,565,024	$11,208,528	$10,868,111	$11,211,713	$11,532,944	$ 12,466,114
66.89%	39.73%	32.85%	6.92%	72.06%	46.24%	26.70%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year Ended September 30,	**2016**	**2017**	**2018**	**2019**
Actuarial determined contribution	$ 1,258,570	$ 1,303,201	$ 1,362,529	$ 1,238,128
Contributions in relation to the actuarially determined contribution	1,258,570	1,303,201	1,362,529	1,238,128
Contribution deficiency (excess)	-	-	-	-
Covered payroll	9,517,623	9,628,107	10,031,460	9,235,981
Contributions as a percentage of covered payroll	13.22%	13.54%	13.58%	13.41%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 Years (longest amortization ladder)
Asset Valuation Method	10 Year fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information	There were no benefit changes during this year.

2020	2021	2022	2023	2024	2025
$ 1,427,239	$ 1,464,895	$ 1,543,894	$ 1,646,871	$ 1,691,932	$ 1,897,627
1,427,239	1,464,895	1,543,894	1,646,871	1,691,932	1,897,627
-	-	-	-	-	-
10,715,294	10,859,779	11,235,379	11,743,372	11,821,943	13,054,719
13.32%	13.49%	13.74%	14.02%	14.31%	14.54%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	**2017**	**2018**	**2019**
A. Total OPEB liability			
Service Cost	$ 16,520	$ 20,187	$ 17,961
Interest (on the Total OPEB Liability)	11,181	11,678	13,012
Difference between expected and actual experience	-	(3,782)	(8,636)
Changes of assumptions	29,489	(27,003)	69,216
Benefit payments, including refunds of employee contributions	(1,944)	(2,019)	(2,113)
Net change in Total OPEB liability	55,246	(939)	89,440
Total OPEB liability - beginning	288,493	343,739	342,800
Total OPEB liability - ending	$ 343,739	$ 342,800	$ 432,240
B. Covered-employee payroll	$ 9,717,511	$ 10,093,257	$ 10,565,024
C. Total OPEB liability as a percentage of covered-employee payroll	3.54%	3.40%	4.09%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

- This schedule is required to have 10 years of information. As of September 30, 2025, only 8 years are included and additional years will be added in the future as the

- Changes of assumptions generally includes the annual change in the municipal bond

2020	2021	2022	2023	2024
$ 24,659	$ 29,344	$ 32,514	$ 16,146	$ 21,192
12,195	10,917	10,360	14,662	15,067
(5,753)	(33,522)	(35,262)	(4,042)	(2,581)
73,902	17,123	(190,168)	18,462	(21,596)
(2,242)	(7,608)	(8,969)	(11,533)	(8,726)
102,761	16,254	(191,525)	33,695	3,356
432,240	535,001	551,255	359,730	393,425
$ 535,001	$ 551,255	$ 359,730	$ 393,425	$ 396,781
$ 11,208,528	$ 10,868,111	$ 11,315,133	$ 11,945,362	$ 12,466,114
4.77%	5.07%	3.18%	3.29%	3.18%

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Corps Leased Parks Fund – This fund is used to account for the operations of Corp Leased Parks. Park admission and usage fees charged to patrons are committed to finance operations.

Public Safety Fund – This fund accounts for funds received from local, state and federal sources for the purpose of supporting the City's Police and Fire programs.

Municipal Court Building Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Municipal Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, PCs and any other technology items needed for the court.

Utility Drainage Fund – This fund is used to account for fees collected for the purpose of improving, upgrading and maintaining the City's drainage system. The City is mandated by the Texas Commission on Environmental Quality (TCEQ) to develop and maintain a Storm Water Management Plan in order to address capacity and quality issues and protect its residents and their properties from possible flooding and pollution problems. Drainage fees are collected by residents to fund the activities required to comply TCEQ regulations.

PEG Fee Fund – This fund is used to account for public, educational, and governmental (PEG) fees charged to cable users, which are restricted for the City's PEG channel.

Community Development Corporation – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

Debt Service Fund – is utilized to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of capital improvements (other than those financed by proprietary funds). Such resources are derived from proceeds of general obligation debt, other sources designated for capital improvements and interest earned on such monies.

Park Development Fund – This fund accounts for development fees charged to property developers, which are committed for development and maintenance of City parks.

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Special Revenue			
	Corps Leased Parks	Public Safety	Municipal Court Building Security	Municipal Court Technology
ASSETS				
Cash and investments	$1,179,813	$ 68,186	$ 55,317	$ 13,916
Receivables:				
Taxes	-	-	-	-
Other	11,322	-	-	-
Due from other governments	-	-	-	-
Inventories	-	-	-	-
Total assets	1,191,135	68,186	55,317	13,916
LIABILITIES				
Accounts payable	173,332	3,215	-	-
Accrued liabilities	9,079	585	-	-
Unearned revenue	42,554	-	-	-
Total liabilities	224,965	3,800	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted for:				
Debt service	-	-	-	-
Community development	-	-	-	-
Public safety - law enforcement operations	-	64,386	55,317	13,916
Utility drainage operations	-	-	-	-
Public broadcasting	-	-	-	-
Park development and maintenance	966,170	-	-	-
Committed - park development and maintenance	-	-	-	-
Total fund balances	966,170	64,386	55,317	13,916
Total liabilities, deferred inflows of resources, and fund balances	$1,191,135	$ 68,186	$ 55,317	$ 13,916

Special Revenue			Debt Service	Capital Projects	Total
Utility Drainage	PEG Fee	Community Development Corporation	Debt Service	Park Development	Nonmajor Governmental Funds
$ 107,873	$ 190,040	$ 2,246,147	$ 110,149	$ 95,119	$ 4,066,560
-	-	287,384	32,352	-	319,736
-	4,254	110	-	-	15,686
-	-	-	-	-	-
26,779	-	-	-	-	26,779
134,652	194,294	2,533,641	142,501	95,119	4,428,761
32,647	-	30,186	-	-	239,380
15,830	-	22,683	-	-	48,177
-	-	14,993	-	-	57,547
48,477	-	67,862	-	-	345,104
-	-	-	32,352	-	32,352
-	-	-	32,352	-	32,352
-	-	-	110,149	-	110,149
-	-	2,465,779	-	-	2,465,779
-	-	-	-	-	133,619
86,175	-	-	-	-	86,175
-	194,294	-	-	-	194,294
-	-	-	-	-	966,170
-	-	-	-	95,119	95,119
86,175	194,294	2,465,779	110,149	95,119	4,051,305
$ 134,652	$ 194,294	$ 2,533,641	$ 142,501	$ 95,119	$ 4,428,761

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue			
	Corps Leased Parks	Public Safety	Municipal Court Building Security	Municipal Court Technology
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Licenses, permits and fees	485,938	-	4,030	3,293
Intergovernmental	-	54,394	-	-
Investment earnings	51,208	-	-	-
Total revenues	537,146	54,394	4,030	3,293
EXPENDITURES				
Current:				
General government:				
Finance	-	-	-	3,600
Public safety:				
Police	-	51,790	-	-
Fire	-	2,277	-	-
Community services:				
Streets and drainage	-	-	-	-
Parks and recreation	748,054	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	748,054	54,067	-	3,600
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(210,908)	327	4,030	(307)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(19,202)	-	-
Total other financing sources and uses	-	(19,202)	-	-
NET CHANGE IN FUND BALANCES	(210,908)	(18,875)	4,030	(307)
FUND BALANCES, BEGINNING	1,177,078	83,261	51,287	14,223
FUND BALANCES, ENDING	$ 966,170	$ 64,386	$ 55,317	$ 13,916

Special Revenue			Debt Service	Capital Projects	Total
Utility Drainage	PEG Fee	Community Development Corporation	Debt Service	Park Development	Nonmajor Governmental Funds
$ -	$ -	$ 1,819,132	$ 2,525,254	$ -	$ 4,344,386
614,346	18,780	68,949	-	-	1,195,336
-	-	-	-	-	54,394
395	-	92,459	20,332	4,111	168,505
614,741	18,780	1,980,540	2,545,586	4,111	5,762,621
-	3,481	-	-	-	7,081
-	-	-	-	-	51,790
-	-	-	-	-	2,277
642,593	-	-	-	-	642,593
-	-	910,722	-	-	1,658,776
-	-	-	2,121,000	-	2,121,000
-	-	-	965,755	-	965,755
8,950	-	47,675	-	-	56,625
651,543	3,481	958,397	3,086,755	-	5,505,897
(36,802)	15,299	1,022,143	(541,169)	4,111	256,724
16,000	-	-	536,025	-	552,025
(16,000)	-	(564,025)	-	-	(599,227)
-	-	(564,025)	536,025	-	(47,202)
(36,802)	15,299	458,118	(5,144)	4,111	209,522
122,977	178,995	2,007,661	115,293	91,008	3,841,783
$ 86,175	$ 194,294	$ 2,465,779	$ 110,149	$ 95,119	$ 4,051,305

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 2,561,978	$ 2,561,978	$ 2,525,254	$ (36,724)
Investment earnings	27,780	27,780	20,332	(7,448)
Total revenues	2,589,758	2,589,758	2,545,586	(44,172)
EXPENDITURES				
Debt service:				
Principal	2,091,000	2,091,000	2,121,000	(30,000)
Interest and other charges	998,002	998,002	965,755	32,247
Total expenditures	3,089,002	3,089,002	3,086,755	2,247
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(499,244)	(499,244)	(541,169)	(41,925)
OTHER FINANCING SOURCES (USES)				
Transfers in	536,025	536,025	536,025	-
Total other financing sources and uses	536,025	536,025	536,025	-
NET CHANGE IN FUND BALANCE	36,781	36,781	(5,144)	(41,925)
FUND BALANCE, BEGINNING	115,293	115,293	115,293	-
FUND BALANCE, ENDING	$ 152,074	$ 152,074	$ 110,149	$ (41,925)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CORPS LEASED PARKS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 699,850	$ 699,850	$ 485,938	$ (213,912)
Investment earnings	70,000	70,000	51,208	(18,792)
Total revenues	769,850	769,850	537,146	(232,704)
EXPENDITURES				
Parks and recreation:				
Personnel	224,972	255,972	261,630	(5,658)
Services and supplies	399,018	487,518	486,424	1,094
Total expenditures	623,990	743,490	748,054	(4,564)
NET CHANGE IN FUND BALANCE	145,860	26,360	(210,908)	(237,268)
FUND BALANCE, BEGINNING	1,177,078	1,177,078	1,177,078	-
FUND BALANCE, ENDING	$ 1,322,938	$ 1,203,438	$ 966,170	$ (237,268)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 76,100	$ 66,600	$ 54,394	$ (12,206)
Total revenues	76,100	66,600	54,394	(12,206)
EXPENDITURES				
Public safety:				
Police:				
Services and supplies	51,600	67,100	51,790	15,310
Fire:				
Services and supplies	2,500	2,500	2,277	223
Total expenditures	54,100	69,600	54,067	15,533
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,000	(3,000)	327	3,327
OTHER FINANCING SOURCES (USES)				
Transfer out	(20,000)	(20,000)	(19,202)	798
Total other financing sources (uses)	(20,000)	(20,000)	(19,202)	798
NET CHANGE IN FUND BALANCE	2,000	(23,000)	(18,875)	4,125
FUND BALANCE, BEGINNING	83,261	83,261	83,261	-
FUND BALANCE, ENDING	$ 85,261	$ 60,261	$ 64,386	$ 4,125

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 3,700	$ 3,700	$ 4,030	$ 330
Total revenues	3,700	3,700	4,030	330
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	3,700	3,700	4,030	330
FUND BALANCE, BEGINNING	51,287	51,287	51,287	-
FUND BALANCE, ENDING	$ 54,987	$ 54,987	$ 55,317	$ 330

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 3,100	$ 3,100	$ 3,293	$ 193
Total revenues	3,100	3,100	3,293	193
EXPENDITURES				
General government:				
Finance:				
Services and supplies	3,600	3,600	3,600	-
Total expenditures	3,600	3,600	3,600	-
NET CHANGE IN FUND BALANCE	(500)	(500)	(307)	193
FUND BALANCE, BEGINNING	14,223	14,223	14,223	-
FUND BALANCE, ENDING	$ 13,723	$ 13,723	$ 13,916	$ 193

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UTILITY DRAINAGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 664,877	$ 664,877	$ 614,346	$ (50,531)
Investment earnings	9,200	9,200	395	(8,805)
Total revenues	674,077	674,077	614,741	(59,336)
EXPENDITURES				
Street and drainage:				
Personnel	405,829	421,829	408,840	12,989
Services and supplies	279,397	279,397	233,753	45,644
Debt service:				
Capital outlay	5,250	9,250	8,950	300
Total expenditures	690,476	710,476	651,543	58,933
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,399)	(36,399)	(36,802)	(403)
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	16,000	-
Transfers out	(16,000)	(16,000)	(16,000)	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(16,399)	(36,399)	(36,802)	(403)
FUND BALANCE, BEGINNING	122,977	122,977	122,977	-
FUND BALANCE, ENDING	$ 106,578	$ 86,578	$ 86,175	$ (403)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PEG FEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
PEG fees	$ 21,048	$ 21,048	$ 18,780	$ (2,268)
Total revenues	21,048	21,048	18,780	(2,268)
EXPENDITURES				
General government:				
Services and supplies	7,000	7,000	3,481	3,519
Total expenditures	7,000	7,000	3,481	3,519
NET CHANGE IN FUND BALANCE	14,048	14,048	15,299	1,251
FUND BALANCE, BEGINNING	178,995	178,995	178,995	-
FUND BALANCE, ENDING	$ 193,043	$ 193,043	$ 194,294	$ 1,251

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales tax	$ 1,994,167	$ 1,994,167	$ 1,819,132	$ (175,035)
Licenses, permits and fees	82,000	82,000	68,949	(13,051)
Investment earnings	115,000	115,000	92,459	(22,541)
Total revenues	2,191,167	2,191,167	1,980,540	(210,627)
EXPENDITURES				
Parks and recreation:				
Personnel	365,550	365,550	348,234	17,316
Services and supplies	544,918	599,918	562,488	37,430
Capital outlay	50,000	50,000	47,675	2,325
Total expenditures	960,468	1,015,468	958,397	57,071
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,230,699	1,175,699	1,022,143	(153,556)
OTHER FINANCING SOURCES (USES)				
Transfer out	(564,025)	(564,025)	(564,025)	-
Total other financing sources (uses)	(564,025)	(564,025)	(564,025)	-
NET CHANGE IN FUND BALANCE	666,674	611,674	458,118	(153,556)
FUND BALANCE, BEGINNING	2,007,661	2,007,661	2,007,661	-
FUND BALANCE, ENDING	$ 2,674,335	$ 2,619,335	$ 2,465,779	$ (153,556)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ -	$ -	$ -	$ -
Investment earnings	5,000	5,000	4,111	(889)
Total revenues	5,000	5,000	4,111	(889)
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	5,000	5,000	4,111	(889)
FUND BALANCE, BEGINNING	91,008	91,008	91,008	-
FUND BALANCE, ENDING	$ 96,008	$ 96,008	$ 95,119	$ (889)

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENT FUNDS BY SOURCE

SEPTEMBER 30, 2025

GENERAL CAPITAL ASSETS	
Land	$ 17,183,848
Land improvements	29,668,798
Building and improvements	16,109,709
Equipment	10,819,879
Other capital assets	638,179
Infrastructure	48,378,188
Right to use equipment	3,889,337
Right to use building	365,356
Subscription software	531,320
Construction in progress	1,753,079
Total general capital assets	$ 129,337,693
INVESTMENT IN GENERAL CAPITAL ASSETS	
Investment in general capital assets acquired prior to October 1, 1990	$ 655,037
General fund	15,876,869
Vehicle replacement fund	670,674
Special revenue funds	23,987,879
Capital project funds	40,248,894
Donations	47,898,340
Total investment in general capital assets	$ 129,337,693

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY

SEPTEMBER 30, 2025

Department	Land	Land Improvements	Building Improvements	Equipment
City Manager	$ 430,747	$ -	$ 265,915	$ 54,276
Finance	26,651	-	412,718	489,717
Human Resources	8,812	-	113,185	-
City Secretary	41,479	-	511,673	-
Information services	-	-	-	501,944
Marketing and Communications	-	-	-	35,336
Police	214,495	93,641	2,765,228	1,714,635
Fire	41,800	19,796	4,445,595	3,615,004
Community services	8,927	-	142,993	7,332
Streets and drainage	11,571,913	1,589,720	885,794	1,854,600
Maintenance	65,609	-	775,360	80,119
Drainage operations	-	29,200	451,842	1,013,643
Parks and recreation	4,773,415	27,936,441	5,339,406	1,453,273
Total general capital assets	$ 17,183,848	$ 29,668,798	$ 16,109,709	$ 10,819,879

Other Assets	Infrastructure	Right to Use Equipment	Right to Use Building	Subscription Software	Construction in Progress	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 750,938
159,118	-	-	-	62,649	-	1,150,853
13,388	-	-	-	53,496	-	188,881
18,447	-	-	-	-	-	571,599
-	-	-	-	227,041	-	728,985
-	-	32,114	-	-	-	67,450
347,369	-	1,614,483	365,356	188,134	-	7,303,341
-	-	498,737	-	-	-	8,620,932
-	-	65,945	-	-	-	225,197
-	47,442,232	520,139	-	-	652,232	64,516,630
-	-	333,370	-	-	-	1,254,458
-	435,645	-	-	-	-	1,930,330
99,857	500,311	824,549	-	-	1,100,847	42,028,099
$ 638,179	$ 48,378,188	$ 3,889,337	$ 365,356	$ 531,320	$ 1,753,079	$ 129,337,693

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Department	Balance September 30, 2024	Additions	Retirements / Transfers	Balance September 30, 2025
City manager	$ 750,938	$ -	$ -	$ 750,938
Finance	1,190,853	-	40,000	1,150,853
Human resources	188,881	-	-	188,881
City secretary	571,599	-	-	571,599
Information services	706,295	85,921	63,231	728,985
Marketing and communications	67,450	-	-	67,450
Police	7,131,030	312,316	140,005	7,303,341
Fire	8,378,630	282,354	40,052	8,620,932
Community services	225,197	-	-	225,197
Streets and drainage	63,241,735	1,611,051	336,156	64,516,630
Maintenance	1,323,966	-	69,508	1,254,458
Drainage operations	1,930,330	-	-	1,930,330
Parks and recreation	41,256,391	1,145,109	373,401	42,028,099
Total capital assets	$ 126,963,295	$ 3,436,751	$ 1,062,353	$ 129,337,693

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Highland Village, Texas' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

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Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	82
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	92
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	97
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	104
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	106

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF HIGHLAND VILLAGE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	2016	2017	2018	2019
Governmental activities:				
Net investment in capital assets	$ 40,067,568	$ 40,453,356	$ 40,191,697	$ 41,212,165
Restricted:				
Debt service	59,725	99,242	-	51,762
Community development	647,532	106,954	30,521	86,517
Public safety	78,495	87,901	71,002	90,493
Utility drainage	240,467	298,327	340,814	90,493
Public broadcasting	36,094	65,266	113,692	279,090
Capital projects	-	-	-	152,879
Park development and maintenance	-	-	-	-
Unrestricted	2,005,564	3,907,904	3,603,647	2,045,989
Total governmental activities net position	$ 43,135,445	$ 45,018,950	$ 44,351,373	$ 44,009,388
Business-type activities:				
Net investment in capital assets	$ 6,738,242	$ 6,603,211	$ 6,875,079	$ 6,592,993
Restricted:				
Debt service	-	-	-	-
Capital projects	883,399	851,976	897,706	1,047,080
Unrestricted	2,030,254	1,421,159	2,244,865	2,209,545
Total business-type activities net position	$ 9,651,895	$ 8,876,346	$ 10,017,650	$ 9,849,618
Primary government:				
Net investment in capital assets	$ 46,805,810	$ 47,056,567	$ 47,066,776	$ 47,805,158
Restricted:				
Debt service	59,725	99,242	-	51,762
Community Development	647,532	106,954	30,521	86,517
Public safety	78,495	87,901	71,002	90,493
Utility drainage	240,467	298,327	340,814	279,090
Public broadcasting	36,094	65,266	113,692	152,879
Capital projects	883,399	851,976	897,706	1,047,080
Park development and maintenance	-	-	-	-
Unrestricted	4,035,818	5,329,063	5,848,512	4,255,534
Total primary government net position	$ 52,787,340	$ 53,895,296	$ 54,369,023	$ 53,768,513

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 40,526,620	$ 40,488,662	$ 39,283,602	$ 38,193,458	$ 37,418,194	$ 37,124,862
72,637	84,716	-	30,298	29,451	26,348
109,677	356,701	650,601	1,361,972	2,007,661	2,465,779
88,601	97,342	136,618	110,746	148,771	133,619
333,898	394,943	333,079	273,455	122,977	86,175
118,660	123,564	143,589	166,305	178,995	194,294
-	-	-	-	-	-
-	-	-	-	1,177,078	966,170
3,421,567	4,202,160	5,297,789	7,176,915	6,948,886	6,798,530
$ 44,671,660	$ 45,748,088	$ 45,845,278	$ 47,313,149	$ 48,032,013	$ 47,795,777
$ 6,637,826	$ 7,252,431	$ 6,028,561	$ 5,643,295	$ 6,023,518	$ 7,103,088
-	-	-	567,777	564,369	573,032
1,075,324	1,207,251	1,292,225	1,279,340	1,204,329	1,131,003
2,086,649	1,756,371	4,514,004	6,649,385	7,448,353	5,933,182
$ 9,799,799	$ 10,216,053	$ 11,834,790	$ 14,139,797	$ 15,240,569	$ 14,740,305
$ 47,164,446	$ 47,741,093	$ 45,312,163	$ 43,836,753	$ 43,441,712	$ 44,227,950
72,637	84,716	-	598,075	593,820	599,380
109,677	356,701	650,601	1,361,972	2,007,661	2,465,779
88,601	97,342	136,618	110,746	148,771	133,619
333,898	394,943	333,079	273,455	122,977	86,175
118,660	123,564	143,589	166,305	178,995	194,294
1,075,324	1,207,251	1,292,225	1,279,340	1,204,329	1,131,003
-	-	-	-	1,177,078	966,170
5,508,216	5,958,531	9,811,793	13,826,300	14,397,239	12,731,712
$ 54,471,459	$ 55,964,141	$ 57,680,068	$ 61,452,946	$ 63,272,582	$ 62,536,082

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2016	2017	2018	2019
EXPENSES				
Governmental activities:				
General government	$ 4,392,360	$ 4,654,057	$ 5,648,223	$ 5,442,819
Public safety	7,782,368	7,850,784	7,915,283	8,591,670
Community services	446,470	495,494	499,071	469,914
Streets and drainage	2,826,584	2,953,293	2,956,194	3,139,410
Parks and recreation	3,534,661	3,740,883	4,099,709	4,520,227
Interest on long-term debt	699,315	605,867	719,953	694,525
Total governmental activities expenses	19,681,758	20,300,378	21,838,433	22,858,565
Business-type activities:				
Water and wastewater	8,500,825	8,698,522	9,195,566	9,226,804
Total business-type activities expenses	8,500,825	8,698,522	9,195,566	9,226,804
Total primary government program expenses	$ 28,182,583	$ 28,998,900	$ 31,033,999	$ 32,085,369
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 283,062	$ 294,421	$ 300,258	$ 375,503
Public safety	429,534	527,165	539,212	564,324
Community services	524,273	770,577	468,954	405,907
Streets and drainage	517,450	495,438	503,839	501,797
Parks and recreation	654,906	724,620	818,946	775,852
Operating grants and contributions	44,839	126,776	92,883	34,894
Capital grants and contributions	221,974	235,846	65,314	125,493
Total governmental activities program revenues	2,676,038	3,174,843	2,789,406	2,783,770
Business-type activities:				
Charges for services:				
Water and wastewater	8,011,036	8,224,755	10,036,132	9,112,051
Operating grants and contributions	-	-	-	-
Capital grants and contributions	911,608	141,554	686,042	273,105
Total business-type activities program revenues	8,922,644	8,366,309	10,722,174	9,385,156
Total primary government program revenues	$ 11,598,682	$ 11,541,152	$ 13,511,580	$ 12,168,926

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 5,312,238	$ 5,532,530	$ 6,029,386	$ 6,862,078	$ 6,243,098	$ 6,304,516
8,772,628	8,432,376	8,899,370	9,462,725	10,093,477	10,790,272
498,662	467,764	374,687	418,562	423,751	442,109
2,857,021	3,046,868	3,026,367	3,309,502	3,997,479	3,771,368
4,939,557	4,577,551	5,052,548	5,534,709	5,613,243	6,280,036
641,904	586,607	1,069,211	840,324	874,264	1,072,109
23,022,010	22,643,696	24,451,569	26,427,900	27,245,312	28,660,410
9,247,141	9,880,513	10,445,972	9,997,492	9,994,342	10,434,045
9,247,141	9,880,513	10,445,972	9,997,492	9,994,342	10,434,045
$ 32,269,151	$ 32,524,209	$ 34,897,541	$ 36,425,392	$ 37,239,654	$ 39,094,455
$ 281,485	$ 254,697	$ 316,520	$ 330,296	$ 364,950	$ 373,314
572,373	550,275	580,343	982,365	730,751	872,325
319,158	374,704	369,116	396,673	312,711	318,534
508,950	517,494	512,635	506,041	514,692	614,346
900,259	742,041	797,758	875,545	853,547	730,600
959,705	113,234	76,636	359,938	114,839	76,258
141,007	776,828	61,101	34,609	132,247	3,000
3,682,937	3,329,273	2,714,109	3,485,467	3,023,737	2,988,377
9,439,260	9,552,361	10,722,176	10,705,342	10,273,938	10,175,801
-	-	1,547,662	1,624,016	966,580	-
164,859	1,199,342	215,479	80,830	9,507	25,803
9,604,119	10,751,703	12,485,317	12,410,188	11,250,025	10,201,604
$ 13,287,056	$ 14,080,976	$ 15,199,426	$ 15,895,655	$ 14,273,762	$ 13,189,981

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2016	2017	2018	2019
NET (EXPENSE) REVENUES				
Governmental activities	$ (17,005,720)	$ (17,125,535)	$ (19,049,027)	$ (20,074,795)
Business-type activities	421,819	(332,213)	1,526,608	158,352
Total primary government net expense	(16,583,901)	(17,457,748)	(17,522,419)	(19,916,443)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	10,876,727	11,601,454	12,126,314	12,697,424
Franchise	1,658,700	1,626,903	1,699,608	1,585,246
Sales	3,786,900	3,830,637	3,915,696	4,285,659
Unrestricted investment earnings	54,786	81,049	269,069	410,525
Miscellaneous	83,908	1,398,997	153,919	193,463
Transfers	(1,709)	470,000	470,000	470,000
Total governmental activities	16,459,312	19,009,040	18,634,606	19,642,317
Business-type activities:				
Unrestricted investment earnings	19,201	26,664	84,696	143,616
Transfers	1,709	(470,000)	(470,000)	(470,000)
Total business-type activities	20,910	(443,336)	(385,304)	(326,384)
Total primary government	16,480,222	18,565,704	18,249,302	19,315,933
CHANGE IN NET POSITION				
Governmental activities	(546,408)	1,883,505	(414,421)	(432,478)
Business-type activities	442,729	(775,549)	1,141,304	(168,032)
Total primary government	$ (103,679)	$ 1,107,956	$ 726,883	$ (600,510)

TABLE 2

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ (19,339,073)	$ (19,314,423)	$ (21,737,460)	$ (22,942,433)	$ (24,221,575)	$ (25,672,033)
356,978	871,190	2,039,345	2,412,696	1,255,683	(232,441)
(18,982,095)	(18,443,233)	(19,698,115)	(20,529,737)	(22,965,892)	(25,904,474)
13,332,678	13,552,545	14,062,081	15,415,395	15,869,314	16,730,729
1,522,345	1,513,527	1,617,664	1,621,744	1,563,746	1,581,520
4,258,100	4,732,971	5,362,527	5,624,837	5,622,168	5,629,296
205,714	38,718	235,839	1,041,681	1,307,651	1,110,293
303,001	83,090	86,539	236,647	107,560	465,569
470,000	470,000	470,000	470,000	470,000	470,000
20,091,838	20,390,851	21,834,650	24,410,304	24,940,439	25,987,407
63,203	15,064	49,392	362,311	315,089	361,104
(470,000)	(470,000)	(470,000)	(470,000)	(470,000)	(470,000)
(406,797)	(454,936)	(420,608)	(107,689)	(154,911)	(108,896)
19,685,041	19,935,915	21,414,042	24,302,615	24,785,528	25,878,511
752,765	1,076,428	97,190	1,467,871	718,864	315,374
(49,819)	416,254	1,618,737	2,305,007	1,100,772	(341,337)
$ 702,946	$ 1,492,682	$ 1,715,927	$ 3,772,878	$ 1,819,636	$ (25,963)

CITY OF HIGHLAND VILLAGE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2016	2017	2018	2019
General Fund				
Nonspendable - prepaid and inventory items	$ 251,748	$ 1,250	$ 99,008	$ 273,288
Assigned	1,270,558	2,142,128	2,011,564	1,829,514
Unassigned	3,933,919	5,248,582	5,440,353	4,552,543
Total general fund	$ 5,456,225	$ 7,391,960	$ 7,550,925	$ 6,655,345
All other governmental funds				
Nonspendable - prepaid items	$ -	$ -	$ -	$ 26,205
Restricted, for the purpose of:				
Debt service	141,058	161,180	159,489	118,266
Community development	751,846	106,954	30,521	86,517
Public safety	78,495	87,901	71,002	90,493
Utility drainage	240,467	298,327	340,814	279,090
Capital projects	438,834	45,662	6,865,552	5,313,584
Public Broadcasting	36,094	65,266	113,692	152,879
Park development and maintenance	-	-	-	-
Committed - parks	262,224	501,093	263,469	271,466
Total all other governmental funds	$ 1,949,018	$ 1,266,383	$ 7,844,539	$ 6,312,295

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 75,193	$ 60,030	$ 45,859	$ 30,244	$ 46,623	$ 47,452
2,042,788	2,031,671	1,531,806	1,384,303	2,262,354	3,256,847
5,834,619	6,177,286	6,651,051	9,008,092	9,338,065	8,621,948
$ 7,952,600	$ 8,268,987	$ 8,228,716	$ 10,422,639	$ 11,647,042	$ 11,926,247
$ -	$ -	$ -	$ -	$ -	$ -
126,236	137,976	93,470	133,510	115,293	110,149
109,677	356,701	650,601	1,361,972	2,007,661	2,465,779
88,601	97,342	136,618	110,746	148,771	133,619
333,898	394,943	333,079	273,455	122,977	86,175
3,222,762	2,384,916	15,888,870	14,427,013	14,488,233	20,073,810
118,660	123,564	143,589	166,305	178,995	194,294
-	-	-	-	1,177,078	966,170
486,084	668,496	852,433	1,094,162	91,008	95,119
$ 4,485,918	$ 4,163,938	$ 18,098,660	$ 17,567,163	$ 18,330,016	$ 24,125,115

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2016	2017	2018	2019
REVENUES				
Taxes	$ 16,308,934	$ 17,060,166	$ 17,714,340	$ 18,557,768
Fines and forfeitures	99,082	98,699	109,420	106,281
Licenses, permits, fees	1,916,752	2,219,095	2,027,847	1,951,587
Intergovernmental	310,519	387,946	139,430	185,872
Charges for services	391,627	485,553	493,590	539,265
Investment earnings	54,786	81,049	269,069	410,525
Miscellaneous	114,448	1,398,997	153,919	193,463
Total revenues	19,196,148	21,731,505	20,907,615	21,944,761
EXPENDITURES				
General government	4,135,129	4,337,308	5,456,729	5,089,032
Public safety	6,952,405	6,890,116	7,181,646	7,560,441
Community service	430,163	455,266	481,472	435,063
Streets and drainage	1,589,676	1,695,038	1,739,093	1,880,112
Parks and recreation	2,626,904	2,558,767	2,831,487	3,146,751
Debt service:				
Principal	2,176,616	2,263,592	2,118,875	2,060,203
Interest and other	716,472	650,698	602,713	806,576
Capital outlay	3,868,574	2,127,620	1,307,067	3,838,232
Total expenditures	22,495,939	20,978,405	21,719,082	24,816,410
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (3,299,791)	$ 753,100	$ (811,467)	$ (2,871,649)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	9,235,000	2,435,000	6,905,000	-
Issuance of leases	250,780	-	-	-
Issuance of SBITA's	-	-	-	-
Premium on debt issuance	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Payments to escrow account	(7,619,878)	(2,405,000)	173,588	-
Transfers in	2,290,168	2,005,329	1,462,380	1,418,615
Transfers out	(1,820,168)	(1,535,329)	(992,380)	(948,615)
Total other financing sources (uses)	2,335,902	500,000	7,548,588	470,000
NET CHANGE IN FUND BALANCES	$ (963,889)	$ 1,253,100	$ 6,737,121	$ (2,401,649)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	15.6%	15.1%	13.3%	13.7%

TABLE 4

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 19,066,421	$ 19,848,434	$ 21,042,756	$ 22,627,687	$ 22,991,567	$ 23,929,339
88,543	76,646	96,291	126,346	147,984	135,764
1,960,801	1,858,505	1,928,517	2,008,166	1,909,138	1,885,628
1,100,712	184,451	121,220	107,251	535,880	79,258
523,347	510,796	565,353	860,254	682,379	859,049
205,714	38,718	235,839	1,220,218	1,807,591	1,469,500
303,001	83,090	89,058	236,647	107,560	145,105
23,248,539	22,600,640	24,079,034	27,186,569	28,182,099	28,503,643
5,175,479	5,495,620	6,058,904	6,499,161	6,019,287	6,385,641
7,910,089	7,999,469	8,663,102	8,367,061	9,499,550	10,107,732
494,206	469,944	415,221	421,399	409,500	432,396
1,617,077	1,771,475	1,750,868	2,003,750	2,675,892	2,332,910
3,514,488	3,222,625	3,748,543	3,916,320	3,975,568	4,546,151
2,200,000	2,250,000	2,189,023	1,832,233	2,332,747	2,798,093
648,114	593,000	1,164,263	1,048,357	1,082,731	1,276,717
2,794,537	1,274,100	2,794,861	3,150,107	5,412,684	3,562,954
24,353,990	23,076,233	26,784,785	27,238,388	31,407,959	31,442,594
$ (1,105,451)	$ (475,593)	$ (2,705,751)	$ (51,819)	$ (3,225,860)	$ (2,938,951)
-	-	24,540,000	-	2,805,000	7,130,000
-	-	480,023	734,968	-	847,675
-	-	-	471,892	1,733,396	85,921
-	-	3,115,960	-	25,500	116,047
80,124	-	16,165	37,385	179,220	363,612
-	-	(12,021,946)	-	-	-
1,732,905	1,438,662	1,358,614	1,085,888	1,087,923	1,085,227
(1,262,905)	(968,662)	(888,614)	(615,888)	(617,923)	(615,227)
550,124	470,000	16,600,202	1,714,245	5,213,116	9,013,255
$ (555,327)	$ (5,593)	$ 13,894,451	$ 1,662,426	$ 1,987,256	$ 6,074,304
13.2%	13.0%	14.0%	12.0%	13.2%	14.5%

CITY OF HIGHLAND VILLAGE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property	Less: Tax-exempt Property
	Residential Property	Commercial Property		
2016	$ 1,649,565,971	$ 313,545,655	$ 64,490,237	$ 106,266,234
2017	1,760,795,273	312,423,960	63,604,815	120,818,328
2018	1,890,908,720	343,451,978	64,741,269	162,929,317
2019	1,999,631,975	355,044,705	57,843,048	157,124,400
2020	2,073,752,984	385,732,416	63,879,965	165,516,748
2021	2,142,438,774	386,823,420	67,379,496	169,090,538
2022	2,275,429,086	374,330,981	67,886,461	189,221,801
2023	2,763,611,571	395,576,090	72,779,928	405,527,170
2024	3,274,046,558	436,276,250	75,069,619	590,899,321
2025	3,249,675,733	478,255,618	72,278,786	423,651,062

Source: Denton County Appraisal District

Note: Estimated total levy is calculated by multiplying the net taxable assessed value by the total direct tax rate per $100 of net taxable assessed value.

Residential: single family, vacant lots, acreage, and farm/ranch and personal.

Commercial: real commercial, personal industrial and utilities.

Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Total Levy
$ 1,921,335,629	0.56963	$ 10,944,504
2,016,005,720	0.56963	11,483,773
2,136,172,650	0.56802	12,133,888
2,255,395,328	0.56302	12,698,327
2,357,848,617	0.56302	13,275,159
2,427,551,152	0.56302	13,667,598
2,528,424,727	0.56302	14,235,537
2,826,440,419	0.54683	15,455,683
3,194,493,106	0.50139	16,016,997
3,376,559,075	0.50072	16,907,208

CITY OF HIGHLAND VILLAGE, TEXAS **TABLE 6**

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	Debt Service Rate	Total Direct Rate	Lewisville Independent School District	Denton County
2016	0.47817	0.09146	0.56963	1.47673	0.26220
2017	0.48279	0.08684	0.56963	1.42000	0.24840
2018	0.49706	0.07096	0.56802	1.40750	0.23781
2019	0.47979	0.08323	0.56302	1.40750	0.22557
2020	0.47649	0.08653	0.56302	1.33750	0.22528
2021	0.47813	0.08489	0.56302	1.34730	0.22499
2022	0.48264	0.08039	0.56302	1.30850	0.23309
2023	0.47179	0.07503	0.54683	1.23680	0.21754
2024	0.43368	0.06771	0.50139	1.13010	0.18949
2025	0.42473	0.07554	0.50027	1.11780	0.18787

Source: Denton County Appraisal District

Note: A typical property tax bill would consist of the City, School District and County taxes.

CITY OF HIGHLAND VILLAGE, TEXAS **TABLE 7**

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2025		2016	
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value*	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value**
MP Shops at Highland Village, LLC	$ 79,889,947	2.366%	$ -	-
Core Power Highland Village, LLC	44,635,479	1.322%		
VP Highland TX Owner, LLC	43,000,000	1.273%	-	-
PS LPT Property Investors	22,548,295	0.668%	-	-
Wal-Mart Stores Texas, LP	17,564,337	0.520%	-	-
Bowery Park Kobalt LLC & De Bowery Park Owner	16,255,766	0.481%	-	-
ADV Highland Village Property Owner, LLC	14,027,454	0.415%	-	-
Brixmor Holdings 12 SPE, LLC	12,250,000	0.363%	-	-
Atmos Energy / Mid-Tex Distribution	9,088,620	0.269%	-	-
Barnett Healthcare Prop, LLC	8,608,587	0.255%	-	-
MP Shops at Highland Village, LLC	-	-	95,000,000	4.944%
DDR Highland Village, LP	-	-	37,489,690	1.951%
Wal-Mart Stores Texas, LP	-	-	16,572,000	0.863%
HHSG, LLC	-	-	13,713,102	0.714%
Centro NP Holdings 12 SPE, LLC	-	-	10,842,725	0.564%
Wal-Mart Stores Texas, LP	-	-	8,588,745	0.447%
Barnett Healthcare Prop, LLC	-	-	8,382,420	0.436%
ADV Highland Village Property Owner, LLC	-	-	7,627,957	0.397%
Whole Foods Market	-	-	5,115,010	0.266%
HSM Highland Point S/C. LTD	-	-	4,924,448	0.256%
Total	$ 267,868,485	7.932%	$ 208,256,097	10.839%

Source: Denton county Appraisal District

Notes:
* Total taxable value including real and personal property for tax year 2024 (fiscal year 2025) is $3,376,559,075

** Total taxable value including real and personal property for tax year 2015 (fiscal year 2016) is $1,921,335,629

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CITY OF HIGHLAND VILLAGE, TEXAS **TABLE 8**

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	$ 10,853,080	$ 10,824,025	99.73%	$ 23,670	$ 10,847,695	99.95%
2017	11,572,279	11,546,650	99.78%	18,781	11,565,431	99.94%
2018	12,140,133	12,099,984	99.67%	35,099	12,135,083	99.96%
2019	12,691,161	12,640,013	99.60%	44,604	12,684,617	99.95%
2020	13,298,601	13,216,040	99.38%	76,747	13,292,787	99.96%
2021	13,513,137	13,460,984	99.61%	44,763	13,505,746	99.95%
2022	14,061,893	14,016,319	99.68%	19,275	14,035,594	99.81%
2023	15,391,491	15,325,352	99.57%	22,182	15,347,533	99.71%
2024	15,895,453	15,804,454	99.43%	(61,704)	15,742,750	99.04%
2025	16,805,408	16,712,599	99.45%	-	16,712,599	99.45%

Sources: Denton County appraisal District and Denton County Tax office.

Notes: Tax levy includes adjustments and supplements made to the property roll during the fiscal year.
Delinquent collections do not include penalty and interest.

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Leases and Subscriptions	Tax Note
2016	$ 9,547,809	$ 12,683,991	$ 632,670	$ 1,535,000
2017	10,789,888	9,511,276	384,078	1,420,000
2018	16,395,133	9,354,426	130,202	1,145,000
2019	15,208,189	8,852,574	-	865,000
2020	13,771,244	8,335,723	-	580,000
2021	12,299,301	7,808,871	-	290,000
2022	18,479,298	15,369,203	-	-
2023	16,840,184	15,194,192	1,590,395	-
2024	15,078,238	14,987,013	2,771,544	2,805,000
2025	13,527,707	21,913,663	3,028,048	2,334,000

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities					
General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Leases and Subscriptions	Total Primary Government	Percentage of Personal Income*	Per Capita*
$ 3,070,385	$ 8,839,408	$ -	$ 36,309,263	4.50%	2,290
6,451,947	4,554,089	-	33,111,278	3.87%	2,068
5,854,297	7,160,379	-	40,039,437	4.54%	2,487
5,140,647	6,933,977	-	37,000,387	3.99%	2,237
4,603,996	6,647,575	-	33,938,538	3.46%	2,036
3,961,346	6,346,172	-	30,705,690	3.16%	1,860
6,753,971	2,610,038	-	43,212,510	4.23%	2,592
6,013,540	2,540,826	808,613	42,987,750	4.02%	2,574
5,267,354	2,468,976	976,829	44,354,954	4.25%	2,656
4,600,893	2,328,445	1,052,550	48,785,306	4.46%	2,891

CITY OF HIGHLAND VILLAGE, TEXAS **TABLE 10**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding					Percentage of Net Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificate of Obligation Bonds	General Bonded Debt Outstanding	Less Debt Service Resources Available	Net General Bonded Debt Outstanding		
2016	$ 12,618,194	$ 21,523,399	$ 34,141,593	$ 59,725	$ 34,081,868	1.77%	2,149
2017	17,241,835	14,065,365	31,307,200	99,242	31,207,958	1.55%	1,949
2018	22,249,430	16,514,805	38,764,235	-	38,764,235	1.81%	2,408
2019	20,348,836	15,786,551	36,135,387	51,762	36,083,625	1.60%	2,182
2020	18,375,240	14,983,298	33,358,538	72,637	33,285,901	1.41%	1,997
2021	16,260,647	14,155,043	30,415,690	84,716	30,330,974	1.25%	1,838
2022	25,233,269	17,979,241	43,212,510	-	43,212,510	1.71%	2,592
2023	22,853,725	17,735,017	40,588,742	598,075	39,990,667	1.41%	2,395
2024	20,345,592	17,455,989	37,801,581	593,820	37,207,761	1.16%	2,228
2025	18,128,600	24,242,108	42,370,708	599,380	41,771,328	1.24%	2,475

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for property value data.

See Table 14 for population data.

CITY OF HIGHLAND VILLAGE, TEXAS **TABLE 11**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2024

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
County of Denton	$ 721,100,000	1.600%	$ 11,537,600
Lewisville Independent School District	1,545,585,000	4.860%	75,115,431
Subtotal overlapping debt			86,653,031
City of Highland Village (direct debt)	41,659,000	100.0%	41,659,000
Total direct and overlapping debt			$ 128,312,031

Sources: Muncipal Advisory Council of Texas

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Highland Village, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

CITY OF HIGHLAND VILLAGE, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	2016	2017	2018	2019
Debt limit	$ 48,033,391	$ 50,400,143	$ 53,404,316	$ 56,384,883
Total net debt applicable to limit	2,495,691	2,524,780	2,386,534	2,679,188
Legal debt margin	$ 45,537,700	$ 47,875,363	$ 51,017,782	$ 53,705,695
Total net debt applicable to the limit as a percentage of debt limit.	5.20%	5.01%	4.47%	4.75%

Note:

According to The State of Texas Constitution, Article 11, Section 5, provides in part that, "…no tax for any purpose shall ever be lawful for any one year, which shall exceed 2.5% of the taxable property of such city." As a home rule city, the City of Highland Village is not limited in the amount of debt it may issue.

Legal Debt Margin Calculation for Fiscal Year 2025

Assessed value	$ 3,376,559,075
Debt limit ($2.50 per $100 of assessed value)	84,413,977
Debt applicable to limit:	
Tax supported debt	3,084,734
Less: Amount set aside for repayment of general obligation debt	(26,348)
Total net debt applicable to limit	3,058,386
Legal debt margin	$ 81,355,591

2020	2021	2022	2023	2024	2025
$ 58,946,215	$ 60,688,779	$ 63,210,618	$ 70,661,010	$ 79,862,328	$ 84,413,977
2,772,846	2,755,352	2,868,360	2,597,833	2,684,239	3,058,386
$ 56,173,369	$ 57,933,427	$ 60,342,258	$ 68,063,177	$ 77,178,089	$ 81,355,591
4.70%	4.54%	4.54%	3.68%	3.36%	3.62%

CITY OF HIGHLAND VILLAGE, TEXAS **TABLE 13**

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water and Wastewater System Revenue Bonds						
		Less:	Net	Debt Service			
Fiscal Year	Total Revenues	Operating Expenses	Available Revenue	Principal	Interest	Total	Coverage
2016	$ 8,030,237	$ 7,271,123	$ 759,114	$ 880,000	$ 402,788	$ 1,282,788	0.59
2017	8,251,419	7,503,415	748,004	905,000	332,284	1,237,284	0.60
2018	10,120,828	8,020,025	2,100,803	790,000	286,878	1,076,878	1.95
2019	9,255,667	7,154,348	2,101,319	815,000	401,814	1,216,814	1.73
2020	9,502,463	7,271,982	2,230,481	890,000	336,414	1,226,414	1.82
2021	9,567,425	8,709,583	857,842	915,000	313,139	1,228,139	0.70
2022	10,771,568	9,317,812	1,453,756	960,000	260,859	1,220,859	1.19
2023	11,067,653	8,832,243	2,235,410	735,000	276,709	1,011,709	2.21
2024	10,589,027	8,847,061	1,741,966	750,000	255,854	1,005,854	1.73
2025	10,536,905	9,314,896	1,222,009	755,000	232,428	987,428	1.24

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues does not include capital contributions or gain on disposal of capital assets . Operating expenses do not include interest, depreciation, or amortization expenses.

CITY OF HIGHLAND VILLAGE, TEXAS **TABLE 14**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2016	15,859	$ 807,096,228	$ 50,892	3.6%
2017	16,012	855,857,412	53,451	3.1%
2018	16,100	881,539,400	54,754	3.1%
2019	16,537	926,369,666	56,018	2.8%
2020	16,668	980,511,768	58,826	6.6%
2021	16,504	970,864,304	58,826	3.9%
2022	16,670	1,022,137,720	61,316	3.0%
2023	16,700	1,069,334,400	64,032	3.7%
2024	16,697	1,043,061,590	62,470	3.7%
2025	16,875	1,094,023,125	64,831	4.0%

Source: U. S. Census Bureau
Texas Workforce Commission
Bureau of Economic Analysis

Note: Population estimates are based on residential sewer connections.

CITY OF HIGHLAND VILLAGE, TEXAS **TABLE 15**

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

	2025	2016
Employer	Employees	Employees
Excelwipe, LLC	250 - 499	100 - 499
Cheesecake Factory	100 - 249	
City of Highland Village	100 - 249	100 - 499
Lewisville Independent School District	100 - 249	100 - 499
Whole Foods Stores	100 - 249	100 - 499
AMC Highland Village 12	50 - 99	50 - 99
Enabling Movement Foundation	50 - 99	-
ER of Texas	50 - 99	-
Excite Gymnastics & Cheer	50 - 99	50 - 99
Goody Goody Wholesale	50 - 99	-
Re/Max Cross County	50 - 99	50 - 99
Rosa's Café & Tortilla Factory	50 - 99	50 - 99
TJ Maxx	50 - 99	50 - 99
Walmart Supercenter	50 - 99	100 - 499
Home Instead Senior Care	-	50 - 99
Ihop Restaurant	-	50 - 99
Kroger	-	50 - 99
Patrizio's Restaurant	-	50 - 99

Source: Texas Workforce Commission

Note: The source of data is legally prevented from obtaining and disclosing the number of employees of specific employers. Accordingly, the number of employees are displayed within a range.

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government										
City manager	2	2	2	2	2	2	2	2	2	2
Finance	11	10	10	10	11	8	8	8	8	8
Human resources	3	3	3	3	3	3	3	3	3	3
City secretary	2	2	2	2	1	2	2	2	2	2
Information services	6	7	7	7	7	7	7	7	7	7
Marketing and communications	-	-	-	-	-	3	3	3	3	3
Maintenance	4	4	4	4	4	4	4	4	4	4
Public safety										
Police	46	45	45	46	46	46	46	45	45	45
Fire	22	22	22	22	22	22	22	22	23	24
Community services	5	4	4	4	5	4	4	4	4	4
Streets and drainage	14	15	15	15	14	15	15	15	15	15
Parks and recreation	17	17	17	18	18	18	18	18	20	20
Water and wastewater	19	19	19	19	19	19	19	19	19	19
Highland Village Community Development Corporation	3	3	4	4	4	4	4	4	4	4
Total	154	153	154	156	156	157	157	156	159	160

Source: Various City departments

Notes: A fulltime employee is scheduled to work 40 hours per week (including vacation and sick leave).

CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2016	2017	2018	2019
General government				
Open records requests processed	281	288	277	319
Court cases filed	1,782	1,518	1,547	1,528
Employee turnover (%)	11.70%	9.00%	7.10%	9.60%
Emp safety lost time injuries	-	-	1	-
Technical support tickets closed	807	774	23,097	829
Community Service				
Permits issued	1,336	4,533	2,758	1,563
Inspections performed	2,633	4,949	4,313	3,608
Police				
Reported offenses	452	609	565	518
Arrests	267	325	272	304
Service	6,617	6,962	6,221	6,520
Close patrols	6,957	7,193	13,729	15,202
Traffic citations issued	1,352	1,129	1,128	1,280
Traffic warnings issued	2,337	3,010	43,140	3,989
Motor vehicle accidents	239	257	261	260
Animal impounds	243	220	187	227
Animal care calls	1,413	1,410	1,252	1,489
Animal registrations	865	676	620	571
Fire				
EMS calls	602	685	682	745
Fires calls	526	610	587	624
Streets and Drainage				
Asphalt (tons)	716	301	227	640
Concrete(yards)	204	213	622	136
Cold patch (lbs)	4,800	30,000	25,000	51,720
Crack seal (lbs)	200	18,000	14,406	9,000
Paint (gal)	30	15	56	92
Sod replacement (yards)	15	86	261	100
Saw cuttings (ft.)	14,952	12,336	16,957	15,520
Spoils (yards)	828	966	124	807
Sign Repairs (hours)	107	42	80	110
Work orders completed (Maintenance)	1,818	1,821	1,809	1,813
Total fuel consumption	59,198	60,000	57,000	61,000
Parks and recreation				
Acres of turf mowed	*	*	*	*
Parks turf maintenance (hours)	6,525	6,525	6,525	9,267
Park maintenance (hours)	23,899	23,950	23,950	22,067
Bags of trash disposed (55 gal)	*	*	*	*
Trash removal (hours)	2,816	2,920	2,920	2,086
Recreation/Special Events Participation	19,051	29,603	29,003	25,560
Water				
New connections	37	26	13	16
Field operations work orders completed	10,815	10,064	9,370	10,544
Peak daily consumption	7,500,000	7,500,000	7,500,000	7,500,000
Maximum daily capacity-water production	7.20MGD	7.2MGD	7.2MGD	7.2MGD
Number of gallons pumped	991,177,900	928,836,200	995,892,200	813,644,189
Number of gallons sold	931,105,700	888,844,700	1,017,767,600	765,360,700
Wastewater				
Wastewater work orders completed	4,740	4,378	4,785	4,803
Wastewater gallons pumped	572,924,000	425,469,000	411,460,879	447,811,593

Source: Various City departments

* Not available

Fiscal Year					
2020	2021	2022	2023	2024	2025
414	523	646	561	638	790
1,072	803	1,019	940	1,223	1,076
14.00%	11.50%	8.90%	10.80%	9.40%	11.30%
-	1	1	2	1	1
854	936	746	797	728	914
1,273	1,784	1,660	1,722	2,003	1,560
3,878	3,174	3,282	3,700	3,691	2,702
506	551	545	537	632	642
173	160	171	203	292	204
6,141	5,988	6,543	6235	6792	6250
15,530	13,027	13,288	13,460	12,075	2,608
780	838	807	905	1,008	1,265
2,019	1,627	2,535	2,941	3,736	2,213
211	246	264	215	259	289
114	139	152	180	180	133
1,160	951	812	887	912	754
481	*	*	*	*	*
758	820	948	963	1,049	1,016
525	748	405	658	704	669
582	255	176	250	260	356
815	464	537	185	103	141
63,000	41,000	26,800	11,000	26,000	26,000
11,250	20,254	17,640	12,260	7,000	1,350
138	68	92	54	845	133
394	13	13	10	8	-
14,967	10,271	10,695	11,424	12,100	16,898
575	378	100	86	57	34
52	32	30	54	84	208
1,816	1,810	1,780	1,650	1,520	1,682
60,600	63,600	62,300	68,000	80,200	68,870
*	*	*			
8,168	2,684	3,958	4,579	2,945	7,548
21,206	24,133	12,815	17,290	16,304	7,507
*	*	*			
1,843	1,713	1,412	1,382	1,912	1,375
3,916	14,666	15,567	9,405	9,389	13,152
35	38	24	4	11	7
15,419	15,813	10,894	18,148	13,396	12,781
7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
7.2MGD	7.2MGD	7.2MGD	7.2MGD	7.2MGD	7.2MGD
982,601,900	982,151,700	1,159,279,600	1,192,950,600	1,103,889,800	1,073,528,400
957,911,500	891,998,300	1,074,740,900	1,100,176,700	981,030,500	975,318,300
4,957	1,170	4,919	4,910	8,890	5,157
495,967,000	466,988,000	351,455,130	402,829,000	691,391,000	434,006,000

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2016	2017	2018	2019
General Government				
City area (in miles)	6.38	6.38	6.38	6.38
Police				
Stations	1	1	1	1
Fire				
Stations	1	1	1	1
Streets and Drainage				
Streets (miles)	200.0	200.0	200.0	200.0
Traffic signals	3	3	3	3
Parks and recreation				
Acres of parks	318	318.2	393	393
Trail system (linear miles)	12.7	12.7	12.7	12.7
Water				
Number of meters in service	5,483	5,521	5,536	5,523
Water mains (in miles)	100	100	102	102
Fire hydrants	811	815	825	825
Wastewater				
Storm sewers (miles)	25	25	25	25
Sanitary sewers (miles)	99	99	100	100
Sewer connections	5,276	5,307	5,325	5,389

Source: Various City departments

Fiscal Year					
2020	2021	2022	2023	2024	2025
6.38	6.38	6.38	6.38	6.38	6.38
1	1	1	1	1	1
1	1	1	1	1	1
200.03	200.03	200.03	200.03	200.03	200.03
393 12.7	393 12.7	329 13.0	329 13.0	329 13.0	329 19.0
5,579 103 821	5,692 104 823	5,738 105 836	5,735 105 836	5,745 105 830	5,746 105 841
26 101 5,436	27 102 5,614	27 103 5,667	27 103 5,509	27 103 5,677	27 103 5,675

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COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor
and City Council
City of Highland Village, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Highland Village, Texas' basic financial statements, and have issued our report thereon dated March 24, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Highland Village, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Highland Village, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

OFFICE LOCATIONS
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NEW MEXICO | Albuquerque

AICPA GAQC Member

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Highland Village, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2026